YOUTH and INFORMALITY

International Labour Organization

PROMOTING FORMAL EMPLOYMENT AMONG YOUTH

Innovative Experiences in Latin America and the Caribbean

Informal employment among youth represents a dual concern for the political agendas of countries in the Latin America and the Caribbean. The challenge of enabling the new labour force to actively participate in the labour market is compounded by the additional challenge of guaranteeing that the new jobs meet decent work

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Regional Office for Latin America and the Caribbean

ILO

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Innovative Experiences in Latin America and The Caribbean

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FOREWORD

The Latin American and Caribbean region faces the daunting challenge of creating decent work opportunities for youth. Currently, the region has some 108 million people aged 15 to 24. Just over half of them are employed.

When youth begin their working lives, they must first overcome the high unemployment rate, which is two to four times higher than that of adults in the Region. All too often, young people go out in search of work only to return home discouraged.

The employment scenario for youth has further complications, however. When a young person eventually does find a job, it is usually an informal one, with poor working conditions, instability, low wages, and no social protection or rights. Currently, six of every 10 new jobs available to youth in the Region are informal. At least 27 million youth are forced to settle for these poor quality jobs.

Informality is a serious, persistent problem in the Region. Informality affects 48% of the employed population, youth and adults alike. Although it is a heterogeneous phenomenon, current statistics reveal the strong link between informality, poverty and social exclusion. In effect, the informality rate is nearly 75% among low-income workers.

Among youth, the informality rate surpasses 55%. This is a troubling statistic given that informality discourages and frustrates youth when they cannot access the opportunities they deserve. Youth today form part of the most educated generation in the history of Latin America and Caribbean, where poverty has declined, yet these improvements elude young people in search of dignified employment.

This situation has social, economic and political repercussions since it may lead to a questioning of the system, instability and disenfranchisement, which can affect governance. Young workers' potential is not adequately exploited for economic progress. Additionally, there are nearly 20 million youth who neither work nor study.

The youth employment issue is on the political agenda of many countries in the Region. It is the subject of political debate and discussions on socioeconomic development. In response, several countries have taken measures to address informality among youth.

In addition to the strategies that directly address youth employment, many countries have developed and improved activities to eradicate informal employment, which range from increasing productivity and facilitating formalization to guaranteeing social benefits to workers regardless of their employment status.

This report provides a glimpse of the young face of informal employment in Latin America and the Caribbean, and examines the similarities and differences among countries. It describes and analyzes public policy initiatives implemented in several countries of the Region and identifies their innovative aspects and lessons learned. Finally, the document presents policy recommendations.

The objective is to contribute to identifying more effective solutions to address the challenge of youth employment. The creation of more and better jobs for youth must be a priority if we are to advance in the building of more solid economies and more just societies.

Elizabeth Tinoco

ADG

ILO Regional Director for Latin America and the Caribbean

INTRODUCTION

Informal employment among youth represents a dual concern for the political agendas of countries in the Latin America and the Caribbean. The challenge of enabling the new labour force to actively participate in the labour market is compounded by the additional challenge of guaranteeing that the new jobs meet decent work criteria. Despite current efforts, countries of the region still fall short of meeting these objectives. Currently, 13% of youth are unemployed and 55.7% are informally employed (ILO 2013b and ILO 2014b).

Latin American and Caribbean countries have played a key role in this area and have accumulated experience in implementing youth employment policies. On the one hand, the Region has a wide variety of *programmes and laws to promote youth employment*. These use three different approaches: 1) increased focus on demand; 2) a comprehensive design that combines different interventions; and 3) a focus on legislation. On the other hand, several countries have developed and improved strategies to address informal employment and the informal sector by promoting actions ranging from *improving productivity and facilitating regulation to providing guaranteed social coverage* to workers, regardless of their employment status. Standards, incentives and labour inspections were the instruments used most often to implement these initiatives (ILO, 2014b).

This report seeks to *identify common innovative elements of the initiatives the countries in the Region have implemented* to address informal employment among youth. To this end, the report examines national government policies that focus on youth or particular sectors or types of employment that have a high rate of youth participation in an effort to analyze initiatives or strategies that address labour informality, which given their role and scale have a potential impact on youth. The authors selected many of these initiatives based on their design and potential reach since many of them have only recently been implemented, and in some cases have not been evaluated for impact.

The policy review identified common patterns among countries, as well as incipient innovative elements. The selected innovations include generating a first labour experience among youth that meets decent work conditions; maintaining the income of economic units that assume the costs of formalization; complementing these initiatives with social protection programmes to guarantee coverage; promoting the implementation of formalization activities at the local level; and tailoring labour law to diverse sector and worker contexts to guarantee labour rights in accordance with general labour law. These innovations still need to be expanded throughout the Region. While there are high expectations for their potential, implementing them will prove challenging.

The first section of the report summarizes how formalization and youth employment have become a priority tripartite issue of the International Labour Organization (ILO), and describes the actions of the different countries that reflect this consensus. The second section briefly describes the young face of informal employment in Latin America and the Caribbean, highlighting the similarities and differences among countries and the dynamics of informality among young workers. The third part of the report presents the main initiatives implemented based on a taxonomy of the formalization of employment to subsequently identify innovative and learning aspects of these efforts. Finally, the report offers conclusions and policy guidelines.

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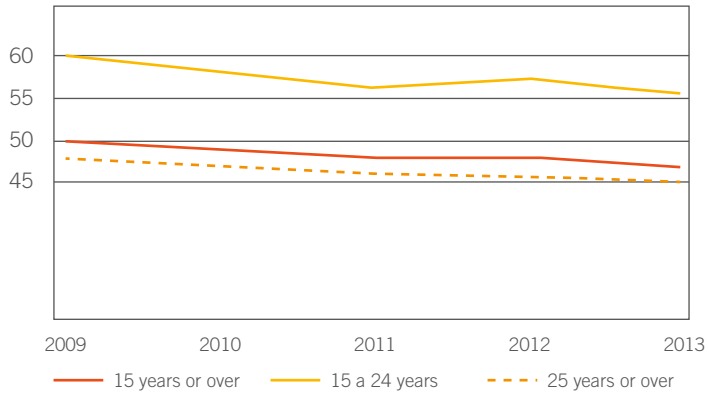
1| Formalization as a priority

↘ Informality is a persistent characteristic of the Region's labour markets. During the 1990s, it increased but subsequently declined during the 2000s. Whereas the trends confirm a reduction in informality, especially in some countries, the size of the informal economy and the level of decent work deficits continue to cause concern (ILO 2014c, ILO 2014b, Tornarolli, et al 2014).

Youth as a group have higher rates of informality than other workers. Although informal employment also declined for this group in recent years, more than half of all young workers (55.7%) worked in precarious conditions in Latin America in 2013 (ILO 2014c).

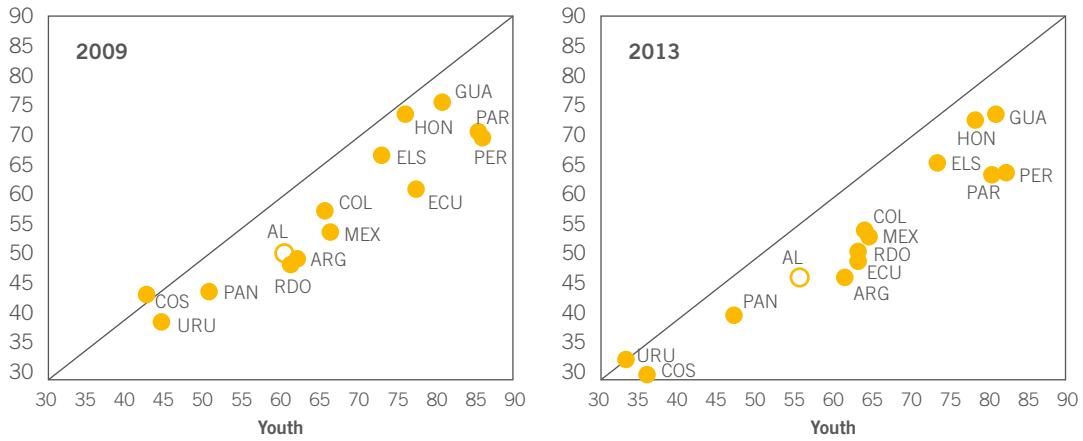
FIGURE 1 Latin America: Rate of non-agricultural employment, by age.



Source: ILO, based on household surveys of the countries. 2010, estimated.

The incidence of informal employment in this age group exceeds that of the total group of workers in all countries analyzed except for Uruguay. In that country, the incidence among youth actually declined and is now the same as the average for all workers (33%) (Figure 2).

FIGURE 2 Latin America (12 countries). Comparison of total and youth informal employment (non-agricultural) rates, 2009 – 2013.



Source: ILO (2014c).
Note: Latin America (LA) refers to the average rate for the 12 countries analyzed.
The youth rate corresponds to individuals aged 15 to 24.
AL: Latin America.
RDO: Dominican Republic.

In Latin America, informal employment rates among youth vary widely across countries. Peru, Guatemala, Paraguay, Honduras and El Salvador have the highest rates: between seven and eight of every 10 employed youth worked in informal conditions in 2013. In Honduras, the informal employment rate among youth increased 2.5 percentage points between 2009 and 2013, whereas it remained stable in El Salvador and Guatemala. In Paraguay and Peru, it decreased by 5 and 3.4 percentage points, respectively. By contrast, Uruguay and Costa Rica recorded the lowest rates, where approximately three young workers for every 10 were informal. These two countries experienced the largest declines in youth informal employment in the period studied (11 and 7 percentage points, respectively).

Entering the labour force informally has repercussions for workers that go beyond the labour relationship. Lower wages, employment instability, precarious working conditions, and a lack of social security coverage, social representation and dialogue make informal workers vulnerable and severely limit their personal development and that of their families. In response, the countries of the Region have developed several policies that range from national plans to targeted interventions using legal instruments, public programmes and agreements with social actors, among others. Some of these policies have been implemented for several years while others are more recent (ILO 2014c and ILO 2013a).

In keeping with the priorities set by the countries, ILO tripartite discussions have prioritized informality and the situation of youth in the labour market. While the fundamental conventions are applicable to the informal economy and young workers, there are also specific instruments on both issues. In recent years, International Labour Conferences (ILC) and the instruments resulting from ILC exchange and discussion processes have prioritized these issues, with the participation of representatives of governments, workers and employers.

In the new millennium, the 2002 ILC addressed informality as a labour market problem in the *Resolution concerning Decent Work and the Informal Economy*[1]. The resolution outlines the conceptual criteria for identifying the informal economy and recognizes informality as a diverse phenomenon involving workers of different employment status and levels of employment protection. The resolution recognizes that a variety of factors are responsible for the existence of the informal economy and informalization of the formal economy. Tripartite constituents agreed on the objectives of overcoming the negative consequences of informality through worker protection and eliminating barriers to the creation of formal jobs.

More recently, the ILC 2014 again introduced informality in the general discussion. The focus in this conference was on *"facilitating transitions from the informal to the formal economy"* (standard-setting, double discussion) with a view to developing a recommendation. Participants argued for reformulating the existing resolution given the new developments and trends occurring after the resolution was implemented. Moreover, constituents proposed the need to concentrate efforts on the creation of decent work in the informal economy and to lead the process of gradual transition from the informal to the formal economy given its importance in providing income to the most vulnerable workers. To this end, policies for developing the recommendation had both a preventive and corrective character, as well as elements of a comprehensive approach.

1 International standards for measuring informality are based on two provisions adopted by the ICLS: the Resolution concerning statistics of employment in the informal sector (15th ICLS, 1993) and Guidelines concerning a statistical definition of informal employment (17th ICLS, 2003). Employment in the informal sector and informal employment refer to two different aspects of employment informalization. These are complementary rather than interchangeable concepts. The first refers to employment by characeristics of the production units (enterprise focus), whereas informal employment refers to job characteristics (employment focus).

Other recent ILCs also prioritized examining the diversity of the informal economy, with an emphasis on groups of workers or sectors that were especially affected by informality. One example is the discussion of the extension of labour rights for domestic workers –a sector typically associated with informal employment– in the 2011 ILC. This was followed by the adoption of *Convention 189 concerning Decent Work for Domestic Workers* (Box 1).

BOX 1 Ratification and implementation of Convention 189 in Latin America and the Caribbean.

In December 2014, 16 countries had ratified Convention 189 concerning Decent Work for Domestic Workers, eigth of which are Latin American and one Caribbean. The Convention was in full effect in seven of those countries in January 2015, and will be implemented in the others during the first half of the year.

COUNTRY	DATE OF ADOPTION	IN EFFECT
Argentina	Mar - 14	Mar - 15
Bolivia	Apr - 13	Yes
Colombia	May - 14	May - 15
Costa Rica	Jan - 14	Yes
Ecuador	Dec - 13	Yes
Guyana	Aug - 13	Yes
Nicaragua	Jan - 13	Yes
Paraguay	May - 13	Yes
Uruguay	May - 12	Yes

Source: NORMLEX, ILO.

Youth as a group have also been a recurring theme in tripartite discussions of the ILO over the past decade. In response to the high unemployment rate among youth, the report *Promoting youth employment: tackling the challenge* was submitted for general discussion at the 2005 ILC. That conference produced the *Resolution concerning Youth Employment*, which urges countries to use a comprehensive approach when implementing youth employment policies. The resolution also stresses the need to support youth who work in the informal economy to help them transition to formal jobs in conditions of decent work.

The situation of youth employment worsened following the international financial crisis, for which reason it again became a priority issue of the 2012 ILC. At the conference, in addition to the lack of employment, constituents analyzed precarious working conditions (ILO 2012a) and called for immediate, specific action for youth. The *Report of the Commission on Youth Employment* underscored the tripartite concern for the increased precariousness of employment. Strategic actions –in addition to those associated with job creation, education and training– included the need to guarantee youths' labour rights in response to their unequal treatment and weak representation in social dialogue (ILO 2012c). Country decent work programmes have resumed building consensus on youth affected by informality. In these consensus-building channels, representatives of workers, employers and national governments worked together to develop guidelines and adapt them to national contexts.

In the Region, this process is reflected in the implementation of initiatives that promote youth employment through multiple programmes and laws. Examples include the new youth employment laws enacted in 2013 in Uruguay and Paraguay (Box 2). In those countries, new laws on youth employment no longer focus on internship/learning contracts as previous ones did. Instead, they approach decent work as a strategy rather than as a programme (ILO 2013a). Both laws define incentives for hiring youth at the same time they guarantee their labour rights. Unlike the laws in those countries, Peru proposed a *Special Youth Labour Scheme* in December 2014. Law Nº 3028 called for the temporary application –five years– of basic standards for hiring youth through a special labour scheme, with reduced worker benefits. The bill was rejected by Congress in January 2015.

BOX 2 Youth employment laws of Paraguay and Uruguay enacted in 2013.

Paraguay and Uruguay adopted youth employment laws in 2013. Paraguay adopted *Law Nº 4951* for the Incorporation of Youth in the Labour Market in June whereas Uruguay enacted *Law Nº 19133* on Youth Employment in September. Both laws define and regulate specific contractual arrangements for youth, which range from internships to first-job contracts and establish wage subsidies for employers who hire youth.

In Uruguay, the Law resulted from a participatory, interagency debate involving different sector institutions, including the ministries of Education, Labour, Social Development and Finance, as well as the National Youth Institute and workers' and employers' representatives. In Paraguay, the project originated from the tripartite National Roundtable for the Creation of Youth Employment in 2008. The Ministry of Justice and Employment submitted the bill to Congress in early 2011, but due to political changes, negotations for its adoption were delayed until the following year.

Source: Vezza (2014).

Recently, new milestones on the formalization of youth employment have been achieved through tripartite mechanisms. In October 2014, in the framework of the *18th American Regional Meeting* held in Lima, Peru, constituents reiterated their commitment to addressing informality and the youth employment crisis. The *Lima Declaration* reflects the region's tripartite consensus concerning policies to develop coherent, integrated strategies to facilitate the transition from the informal to the formal economy and to address the youth employment crisis, in accordance with the report of the 101st session of the 2012 ILC (ILO 2014r). Moreover, at the 104th session of the ILC in 2015, the subject will receive priority attention in the Commission on the Transition from the Informal to the Formal Economy.

2| The Young Face of Informal Employment

Several studies indicate that labour informality is more common in some types of employment status, jobs, sectors and sizes of enterprises. Likewise, these characteristics, together with those typical of the profile of new workers –who lack work experience and initial productivity–, make youth a particularly vulnerable group (ILO 2014c, ILO 2013a, CEDLAS 2014).

While there are some common trends among countries of the Region with respect to the persistence of informality and its particularly high incidence among youth, each country also has characteristics specific to its labour markets. The policies analyzed reflect shared and context-specific variables, as well as the accumulated experience of the countries with respect to policy implementation.

2.1| Similarities and differences

The incidence of informality is lower among some types of workers, such as employees, while it is higher among others, such as own-account workers and contributing family workers[2] (ILO 2014c). On average, the levels of informality among youth reflect their increased vulnerability to precarious labour conditions even in more formal types of employment, such as wage employment. Informal employment is particularly high in specific sub-groups, including female youth in "more precarious" forms of employment such as contributing family workers.

Table 1 shows the structure of employment in Latin America and the Caribbean by status in employment and informality, by age group. In all types of status in employment, the percentage of

2 According to the definitions adopted by the 15th ICLS (1993) and 17th ICLS (2003), all contributing family workers have informal employment.

informal employment is higher among youth. The difference in informality rates among age groups is highest among employees.

TABLE 1 Latin America (14 countries). Structure of labour force by status in employment and informal employment.

	Youth (15 to 24)		Adults (25 and over)		Total	
	Informal employment rate	Composition of informal employment	Informal employment rate	Composition of informal employment	Informal employment rate	Composition of informal employment
Total	**55.7**	**100.0**	**44.9**	**100.0**	**46.8**	**100.0**
Wage workers	45.8	64.3	25.6	37.3	29.7	42.9
Public sector	41.2	4.6	13.5	4.3	15.9	4.4
Private sector (includes employers)	46.2	59.6	29.0	32.9	32.9	38.5
Microenterprises (1-10 workers)	72.1	43.6	53.8	24.0	58.6	28.1
Small, medium and large enterprises (more than 10 workers	22.6	14.8	12.3	8.1	14.4	9.5
Own-account workers	86.4	17.6	81.9	47.6	82.3	0.9
Domestic service workers	91.8	7.6	75.3	11.2	77.5	41.3
Contributing family workers	100.0	10.5	100.0	4.0	100.0	10.4
Others	98.7	0.1	95.1	0.0	96.7	5.3

Source: ILO, based on information from household surveys of 14 countries.
Note: Enterprises of unknown size were omitted from the calculation (0.9% of the total).

Results differ by country for participation of youth by status in employment (Figure 3). On average, 70% of employed youth in the Region work as employees (18 countries). Just seven countries have higher rates. Wage employment is the main form of employment in Chile with 89%, Argentina and Costa Rica with 88.5%, Uruguay with 87% and Brazil with 82%[3]. On the opposite end of the spectrum, just 49% of youth in Bolivia work as employees. Young men and women have similar rates of participation in this employment status.

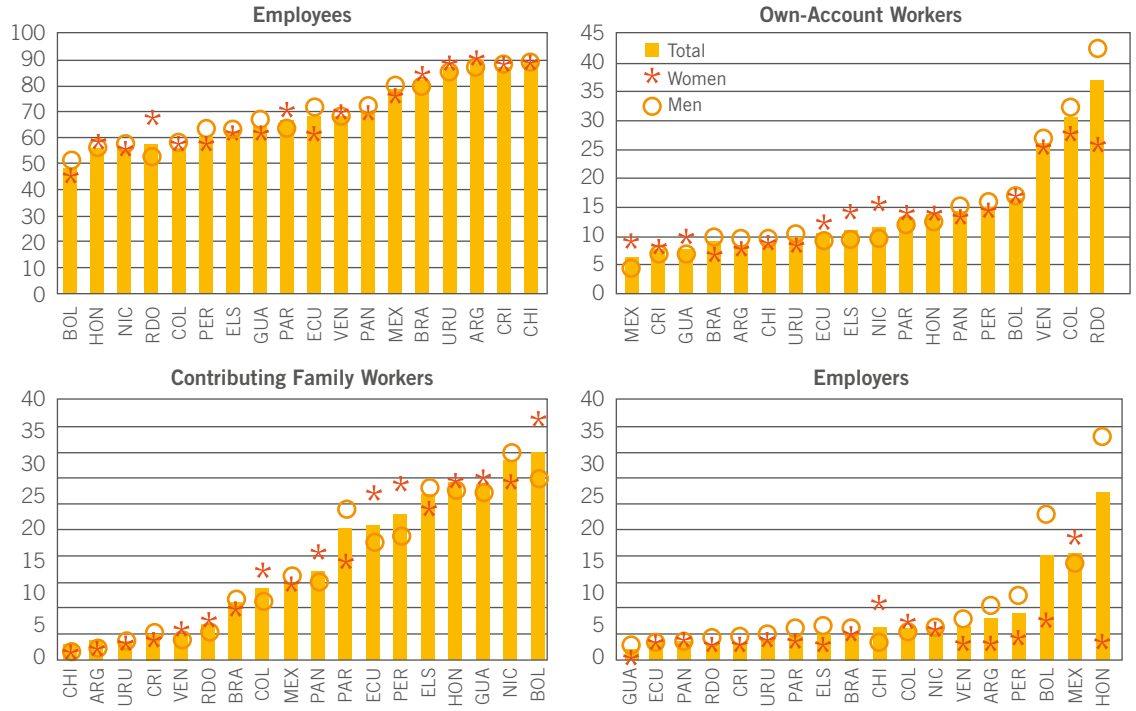
Countries such as Dominican Republic, Venezuela and Colombia compensate for the wide gap in wage employment among youth with a high rate of own-account workers among this group. In the Dominican Republic, 37% of employed youth are own-account workers whereas the figure is 30.5% in Colombia and 26.6% in Venezuela. Here the gaps in participation by gender are wider. In the Dominican Republic, the share of male youth in own-account employment is 65% higher than that among women. By contrast, in Nicaragua and El Salvador, participation among men is between 62% and 65% of that among women.

Alternatively, in Bolivia and several Central American countries –including El Salvador, Honduras, Guatemala and Nicaragua– youth who work but receive no pay (contributing family workers) account

3 The figure was 75% for the group aged 15-29 in the School-Work Transition Survey.

for 25% to 32% of total employed youth. Rates of this type of employment double and even triple those for youth employed as own-account workers. In Mexico and Ecuador, although youth employed as contributing family workers account for a smaller share of total employed youth (20% and 12%, respectively), these levels are double that of own-account workers among youth. Women outnumber men in the group of contributing family workers in Mexico, Ecuador, Peru, Panama, Colombia, Venezuela and the Dominican Republic. By contrast, the participation in this employment status among men is 50% higher than that among women in Paraguay and Costa Rica.

FIGURE 3 Latin America (18 countries). Distribution of employed youth (15-24) by status in employment and sex. Different years in the period 2010-2013* depending on the country.

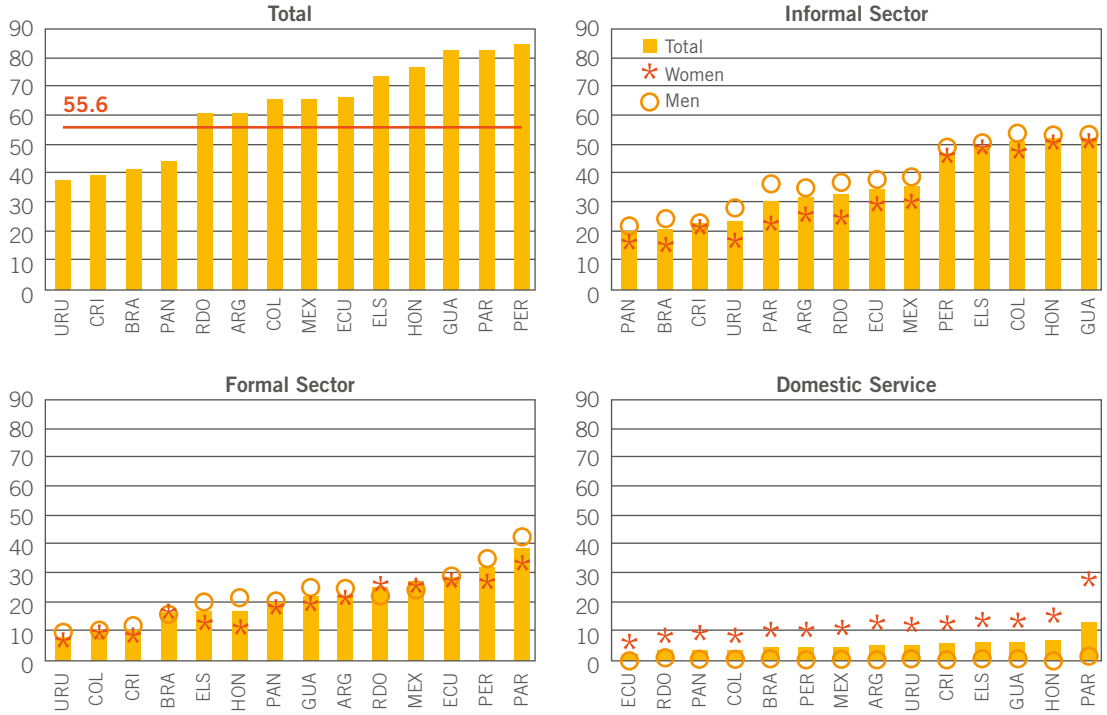


Source: : ILO, based on SEDLAC (CEDLAS).
* With the exception of the surveys in Nicaragua (2005) and Venezuela (2006).
Note: RDO = RD.

Youth who work as employers represent a small percentage of total employed youth. Nevertheless, in some countries, the participation of youth among the total group of employers more than doubles the regional average of 1%. In Honduras, approximately 4% of youth manage a business unit while in Mexico and Bolivia, this figure surpasses 2%. Male employers significantly outnumber female employers. Whereas in Honduras, 5.2% of young men are employers, the figure is just 0.4% for women. In Bolivia, the rate is 3.4% among men and 0.9% among women.

In addition to status in employment, the sector where workers are employed is associated with different levels of informal employment. The informal sector accounts for the largest share of informal employment among youth in all countries. Informal sector workers account for approximately 30 percentage points (55%) of the average youth informal employment rate of 55.7% (Figure 4). In some countries, the share is even higher, such as Colombia, where the informal sector accounts for 78% of total informal employment among youth. This figure surpasses 60% of the total in El Salvador, Honduras, Guatemala and Uruguay.

FIGURE 4 Latin America (14 countries). Sector contribution to informal employment (non-agricultural) among youth (15-24), 2011.



Source: OIT 2013a.
Note: RDO = DR.

Informal employment in the formal sector is the second-leading contributor to informality among youth, accounting for 20 percentage points of total informal employment among youth (in other words, 36%). In countries such as Paraguay, Panama and Ecuador, the contribution of the sector to informal employment is proportionally higher, accounting for 45% of the total. The significant formal sector contribution to informal employment is a distinctive characteristic of youth. Among adults, the contribution of this sector is substantially less (ILO 2013a).

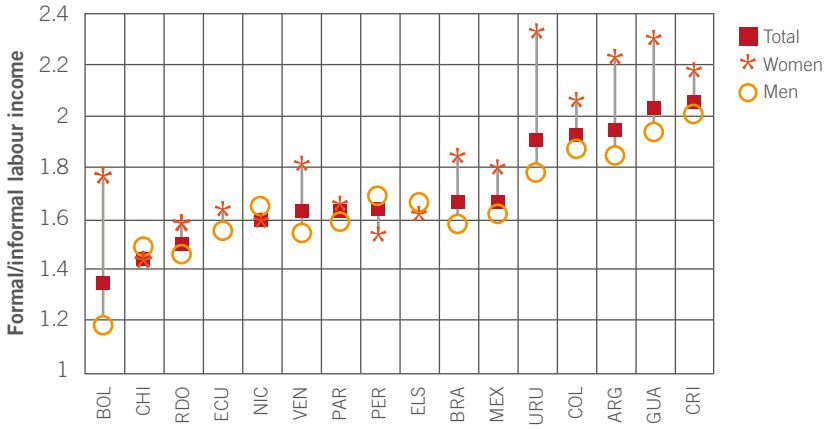
Finally, although domestic service accounts for only a small share of informal employment among youth given its limited participation as an economic sector, it is highly informal and concentrates a significant percentage of informal employment in several countries. In the Region, the maximum contribution of this sector to informal employment is in Paraguay, where domestic service accounts for 13 percentage points of the total –in other words, 16% of the total rate. In Uruguay and Costa Rica, countries which have lower rates of informal employment among youth, domestic service accounts for 15% of the total.

Sector contributions to informality among youth differ in terms of sex. The informal sector contributes more to informal employment in the case of men. In Brazil, Paraguay and Uruguay, the contribution of the informal sector to informal employment among men is between 58% and 66% higher than among women. By contrast, the contribution to domestic service is largely female given the concentration of women employed in that sector.

Considering the definition of informal employment based on social protection, informal jobs have disadvantageous characteristics. In effect, informally employed youth earn less than formally employed youth. Figure 5 illustrates the ratios of labour income of young formal versus informal workers in 16 Latin American countries. Costa Rica, Guatemala, Argentina, Colombia and Uruguay have the widest gaps, where labour income among formally employed youth nearly doubles that among informal workers. By

contrast, in Bolivia, formal workers earn just 35% more than informal workers. The figure for Chile and the Dominican Republic is approximately 50%. Labour income gaps between formal and informal youth are even more significant for women in some countries. In Bolivia and Uruguay, the formal/informal income gap among women is more than 50 percentage points higher than that among men. In Argentina and Guatemala, the difference is approximately 38 percentage points.

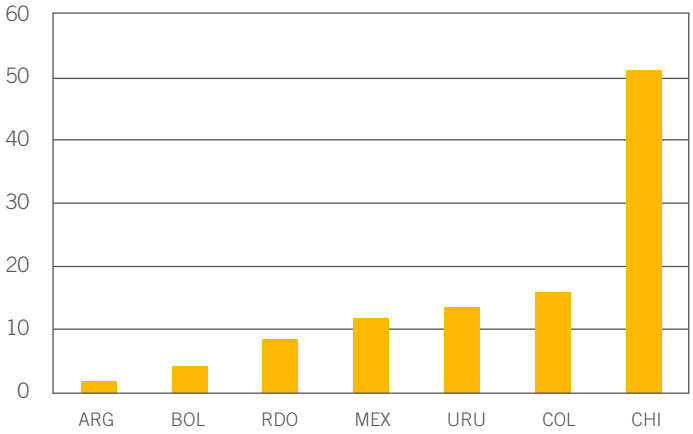
FIGURE 5 Latin America (16 countries). Labour income gaps between young formal and informal workers, by sex, different years of the period 2010-2013,* depending on the country.



Source: ILO, based on SEDLAC (CEDLAS).
* With the exception of surveys for Nicaragua (2005) and Venezuela (2006).
Note: Informal employment is defined based on social protection only.
RDO=RD.

In addition to lower labour income, social benefits such as health coverage are more limited among informal employees in most of the countries analyzed (Figure 6). In Argentina, Bolivia and the Dominican Republic, less than 10% of young informal employees have health coverage. In Mexico, Uruguay and Colombia, between 12% and 16% of informally employed youth have this coverage. Chile is the exception, where approximately 50% have health coverage thanks to the solidary pillar that separates health care access from the contributory scheme (ILO 2011)..

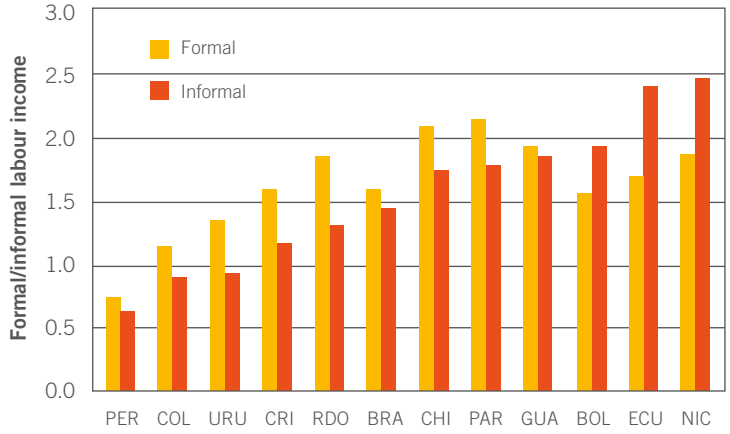
FIGURE 6 Latin America (7 countries). Informal employees (aged 15-24) with health coverage, different years of the period 2011-2013, depending on the country.



Source: ILO, based on SEDLAC (CEDLAS).
Note: Informal employment is defined based on social protection only.
RDO=RD.

The short duration of employment in a particular job is another common characteristic of current employment schemes, especially those of youth. On average, young informal workers are employed in their job for a shorter period than are young formal workers. In nine of the 12 countries analyzed, the gap in duration of employment favours formally-employed youth (Figure 7). Job duration for informal workers in Uruguay, the Dominican Republic and Costa Rica is 40% shorter than for formal workers. The average gap is five months. By contrast, the gap is reversed in Ecuador and Nicaragua. In those countries, formal workers have an average job duration equivalent to 70% of informal workers, in other words, 3.6 months less. Although job instability among youth is associated with frequent entry into and exit from the educational system as a human capital accumulation mechanism, it could also reflect some unwillingness associated with the combination of youths' personal characteristics and the jobs where they are employed. Employment policies should consider this issue (Cruces and Viollaz 2013).

FIGURE 7 Latin America (12 countries). Job duration among formal and informal youth (15-24), different years of the period 2011-2013,* depending on the country.



Source: ILO, based on SEDLAC (CEDLAS).
* With the exception of surveys in Nicaragua (2005) and Venezuela (2006).
Nota: Informal employment is defined based on social protection only.
Data for Guatemala and the Dominican Republic refer only to employees.
RDO = DR.

In addition to the characteristics associated with the job, the personal and family profile of informally employed youth in the Region differs from that of their formally employed counterparts, accentuating their disadvantage (Table 2). On average, informally employed youth are one year younger than formally employed youth, have two years less of education, are less likely to reside in urban areas and are overrepresented in the lowest quintile of per capita household income (12.6% versus 3%). Additionally, 9.3% of young informal workers are poor given that their labour income falls below the poverty line of US$ 2.50/day.

TABLE 2 Latin America (16 countries). Profile of young workers (15-24), different years of the period 2011-2013,* depending on the country.

		Formal	Informal
Individual characteristics			
	% women	38.8	33.2
	average age	21.7	20.1
	% urban	86.1	69.6
	% single	71.7	77.9
	% married or with a partner	24.7	19.1
	average years of education	11.4	9.1
Family characteristics			
	% that are household heads	15.0	10.7
	% that live with their parents	63.4	66.2
	% in the poorest quintile(1)	3.0	12.6
	% in the wealthiest quintile	35.3	15.9
Employment characteristics			
	average time in current job (in years)	1.6	1.5
	% primary sector	7.4	18.3
	% manufacturing	19.4	12.4
	% trade, restaurants and hotels	28.6	28.9
	% transportation and communications	6.1	4.8
	% services	15.9	10.4
	% other sectors	22.5	24.4
	% with job earnings below the poverty line of USD 2.5/day	0.9	9.3

Source: ILO, based on SEDLAC (CEDLAS).
* With the exception of the surveys in Nicaragua (2005) and Venezuela (2006).
Notes: Definition of informal employment based on social protection only. Simple average (without weighting population) for all the countries (except Honduras and Panama, which have no information on informality). (1) Quintiles of per capita household income.

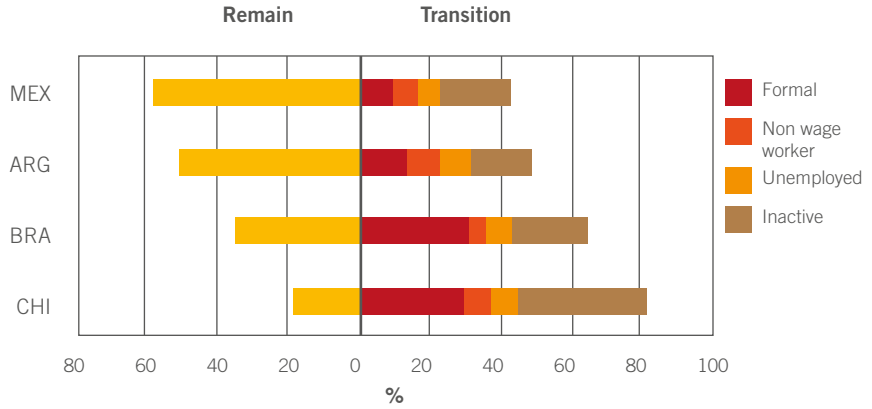
2.2| Transitioning from the informal to the formal economy

The immediate disadvantages of informality go beyond lower wages, less job stability and a lack of social coverage. The effects of informal employment may potentially extend throughout individuals' working lives. When youth enter the informal labour market, they are penalized throughout their working lives (Cruces and Viollaz 2013).

In the short term, many young informal employees find it difficult to transition from the informal to the formal labour market. As Figure 3 demonstrated, in Argentina, Brazil, Chile and Mexico, wage employment among youth is high, accounting for 80%-90% of total employed youth. For a group of youth who defined themselves as informal employees in an initial survey –carried out in 2012 in Argentina, Brazil and Mexico and in 2011 in Chile– Figure 8[4] shows their employment status of one year later. The rates recorded represent unconditional probabilities that youth who worked as informal employees at the time of the initial survey have of remaining in informal wage employment or of transitioning to another employment status one year later.

4 Annex B provides details on the surveys used.

FIGURE 8 Argentina, Brazil, Chile and Mexico. Labour transitions of youth (15-24) with informal wage employment - 2012-2013 for Argentina, Brazil and Mexico; 2011-2012 for Chile.



Source: ILO, based on SEDLAC (CEDLAS).
Note: Definition of informal employment based on social protection only.

Informality persisted for most youth who worked as informal employees when the survey was initially applied in Mexico and Argentina. The 57% of informally employed youth in Mexico remained informal the following year whereas the figure for Argentina was 50%. In Brazil, the percentage of these workers who remained informal was 35% whereas in Chile only 19% remained informal.

In the four countries studied, only a small percentage of youth managed to transition from informal to formal employment. The probability of transitioning was least likely in Argentina and Mexico, where the rates were 15% and 10% of young employees, respectively. Although the percentage was also small for these workers in Brazil and Chile, approximately 30% of this group managed to transition to formal wage employment. Transition rates differed between the sexes, generally in favour of women. The rate of transition of informally employed women to formal employment over the course of a year was higher than that among men in Argentina, Brazil and Mexico, but lower in Chile.

The transition of informally employed youth to inactivity averaged approximately 20% of informal youth, with variations among countries. In Argentina and Mexico, this transition was more likely than the shift towards formal employment, involving 17% and 20% of young informal employees, respectively, in the initial survey. The transition of informally employed youth to unemployment or another non-wage status was similar among countries, with an average rate of 7%.

The transition rates presented in Figure 8 vary according to the characteristics of informally employed youth. The estimated probabilities of transitioning from informal wage employment to another employment status as compared with those who remained informal varied according to individual and job characteristics. These annex lists these characteristics for Mexico (Table A2) and Brazil (Table A3). The probability of transitioning from informal wage employment to formal employment is statistically significant and positively linked to education, especially for youth in Brazil. An additional year of schooling with respect to the average for the sample (nine years) increases the probability of formal employment by 3.3%. The area of residence is also relevant for the transition to formal employment. Urban youth in Mexico have a 4% greater chance of successfully transitioning compared with rural youth in that country. Responsibilities as household head are negatively associated with transitioning to formal employment, being 13.3% lower for this group in Brazil and 1.8% lower in Mexico. Age is also positively associated with the transition to formal employment, increasing the probability by approximately 1% in both countries at the average age of 19.

Although personal attributes are important, job characteristics are even more closely associated with the probability of transitioning to formal wage employment. The size of the enterprise where the youth

works is a key component in the transition. In both Mexico and Brazil, youth employed in enterprises with more than five workers have a 9% greater change of transitioning to formal wage employment than youth employed in smaller enterprises. Although rates vary, young workers in both countries have fewer chances of transitioning to formal employment if they are informally employed as domestic service workers. In Brazil, the probability of a successful transition for this group is reduced by 60% whereas the figure for Mexico is 2.5%.

In a longitudinal study of cohorts in 10 Latin American countries, Cruces and Viollaz (2013) followed the changes in the rate of informal employment. Youth in the youngest cohort (1980-84) had higher rates of informal employment during their first years in the labour market. Although there was a gradual decrease in informal employment, they did not achieve the rates attained by the oldest cohort –adults (1970-1974). This was particularly evident for less-educated youth, where their work experience was insufficient for closing that gap. By contrast, youth with a tertiary education had substantially lower rates of informal employment in the first years of work experience and managed to match the rate of the oldest cohort by the time they reached 30-34 years of age.

Using a pseudo-panel for Brazil, Cruces, Ham and Viollaz (2013) found that informal employment among youth led to significant scarring. Cohorts who were informally employed in their youth fared significantly worse in the labour market as adults. In Brazil, a pseudo-panel of cohorts exposed to higher levels of informality in their youth fared systematically worse in the labour market as adults. However, wage penalty effects and their duration are mainly present in the early years of adulthood and tend to dissipate over time, except in the case of less educated workers, where the effects are more pronounced.

Thus, youths' educational level is important both in terms of immediate results as well as in the short and long term. Nevertheless, for many youths, the school-work transition means fewer years of education. The lack of completion of basic schooling hastens youths' incorporation in the labour market, impeding them from attaining a higher educational level, which is a highly-valued attribute when they initially enter the labour market (ILO 2013a).

The school-work surveys carried out in Brazil, El Salvador, Jamaica and Peru found that only a small percentage of youth transition from school to formal employment. The advantages youth have before the transition, including a higher level of education and income, are replicated in the transition to the formal labour market since this group had a greater chance of obtaining formal employment in all the countries analyzed (Box 3).

BOX 3 Profile of the successful school-work transition in Brazil, El Salvador, Jamaica and Peru, according to results of transition surveys.

In the framework of the ILO's "Work4Youth" programme, in association with the Mastercard Foundation, *school-work transition surveys* were applied to youth in Brazil (2013), Colombia (2013), El Salvador (2012), Jamaica (2013) and Peru (2012). The findings underscore the high level of job instability among youth. They also identify certain attributes, such as education level, that contribute to the probability of having a more successful school-work transition.

Brazil. Young men who live in urban areas and have a higher level of education and a better family economic situation are more likely to transition to decent work. Nevertheless, informality and unemployment affect all youth, regardless of their educational and socioeconomic backgrounds, given the lack of formal employment opportunities.

El Salvador. The possibilities of successfully transitioning to decent work were significantly higher for young men (65.4% versus 33.3% for women) who have a tertiary education (70.5% who have a tertiary education versus 48.7% of those with a basic education or less) and who are from non-poor households.

Jamaica. The transition of youth to decent work is difficult as only 39% do so successfully. This group of youth experienced periods averaging 33 months in which they alternated between unemployment, short-term jobs and inactivity. Youth with the greatest possibilities of successfully transitioning were urban men who had completed secondary school at a minimum.

Peru. Employment stability is a concern among youth who work. Forty-two percent of young employees do not have an employment contract. Of those who do, 76.1% of the contracts are for a year or less. The probability of transitioning to decent work was strongly associated with male gender and a higher educational level. Whereas only 48.5% of youth who had completed primary school made a satisfactory transition, 77.3% of youth with a tertiary education did so.

Source: ILO (2014m), Venturini and Torini (2014), Handal (2014) and Ferrer (2014).
Notes: Interviews with youth aged 15 to 29 in urban and rural areas of El Salvador and Jamaica and in urban areas only in Peru.

3| Policy Options

A variety of policies can be implemented to address informality, based on its two definitions[5]. From a productive viewpoint, informality is addressed through policies to create and maintain formal jobs on a macroeconomic level, to stimulate employment and productive enterprises, improve productivity in the local environment where these enterprises operate and train the labour force. From a social protection approach, countries implement policies to guarantee social coverage, such as provision of social benefits, standards against discrimination and promotion of equality, social dialogue, organization and representation.

Consensus regarding best practices to address informality is that policies with an integrated focus should be adopted[6]. Interventions are more effective when they are combined, given that this practice allows them to address diversity as well as the scale of the informal economy and informal employment in the formal sector (ILO 2014a and 2014b). More policies with this focus need to be implemented in Latin America and the Caribbean. Evidence indicates that the greatest reduction in informality rates occurs when the set of instruments used is broader and more comprehensive (ILO 2014c).

5 Based on the Resolution concerning statistics of employment in the informal sector adopted by the 15th International Conference of Labour Statisticians (ICLS) in 1993 and the Guidelines concerning a statistical definition of informal employment of the 17th ICLS in 2003 (ILO 2013c).

6 The 2005 Resolution concerning youth employment also called for a coherent, integrated approach.

BOX 4 The integrated policy approach for transitioning to the formal sector.

The integrated policy approach for transitioning to the formal sector includes public policies that address the diversity and scope of informality. To differing degrees, the countries of the Region have combined the following initiatives:

- ↘ Interventions for increasing productivity at the macro level (environment); meso level (sectors, chains); and micro level (enterprises).
- ↘ Legislation associated with training and information, simplification and social dialogue.
- ↘ Incentives for formalizing activities and accessing social security.
- ↘ Controls to promote a culture of compliance and strengthen inspection systems.

Source: ILO (2014b and 2014c).

Within the universe of policy options promoted in the Region, this analysis focuses on youth employment policies of recent implementation. These include employment and social protection policies that specifically target youth or those designed with the active participation of youth –and that should have a positive impact given their focus on sectors or status in employment.

This study also reviewed initiatives designed to empower disabled youth, young mothers, migrants and workers in highly informal, precarious sectors. These are all national government initiatives as sub-national policies were excluded. Additionally, this analysis prioritized initiatives that had comprehensive impact evaluations or that have potential impact given their role and scale. Instruments and actions include national plans, specific programmes, regulations or legislation, social dialogue and advocacy. The resulting group of initiatives is not exhaustive but rather illustrative of the policy approaches implemented in the region in recent years.

The selected formalization policies typical of the Region fall into three categories. The first includes measures or *incentives for the creation of formal jobs and conditions for their development*, such as subsidies for the development or expansion of enterprises and of employment, and programmes designed to increase skills of the labour force. The second category covers initiatives s*pecifically designed to formalize informal jobs and units*, such as registration programmes, labour inspection plans and support to the formalization of low-productivity microenterprises. Finally, the third category brings together initiatives to *extend social coverage to informal workers*, even without the formalization of their jobs, including social protection programmes that offer unemployment benefits, health care coverage and maternity protection. Some initiatives have components that belong to more than one category, which demonstrates the variety of instruments developed to achieve the shared objective of formalization.

3.1| Initiatives developed

Most countries have developed legislative initiatives. The Region has abundant legislation on the creation of formal jobs, labour inspection and special schemes that guarantee social coverage corresponding to formal employment. Only a few countries have focused their legislation on youth. Nevertheless, given their universal reach, young workers as a group benefit from these policies.

Government programmes also address formalization. These are more likely to focus on youth, with a design adapted to the characteristics and needs of this age group. Due to their programmatic nature, these initiatives face limitations in terms of their expansion. These programmes generally establish quotas for access, which make it difficult to increase coverage. Employment programmes concentrate mainly on economic incentives for labour demand through subsidies to employers who hire youth and on promoting a more productive labour force through training. For their part, social

protection programmes provide benefits to those lacking formal employment in an effort to reduce the vulnerability of workers and their families. In some countries, these programmes are integrated into social security systems, whereas in others they operate independently.

Evaluation of the impact of these policies in the Region is limited. While most of the initiatives analyzed were recently implemented and therefore their effects cannot yet be measured, in general, no impact evaluations have been planned. Available targeting and performance indicators for some policies suggest a bias toward formalization. The few impact evaluations conducted show positive effects in terms of formalizing employment among youth. Results are context-specific, however. More rigorous assessments are needed to determine if overall results have been positive. Nevertheless, the knowledge gleaned from isolated evaluations has helped identify key considerations for policy design.

Incentives for the creation of formal jobs and conditions for their development

Activities to create quality jobs are frequently implemented as part of the initiatives to eliminate informality. These measures are distinguished between those that act as incentives on labour demand and those that focus on supply. The former attempt to compensate for the disadvantages youth face in terms of work experience and limited productivity when they search for employment. To this end, they provide economic benefits to employers to encourage them to provide formal contracts to workers or to support employers through technical assistance and financing for enterprise development –particularly in less developed areas of a country. Incentives targeting supply concentrate on giving youth the assets they need to overcome barriers to accessing formal employment, such as technical and soft skills and the accreditation of work experience (Table 3).

The most common incentives for labour demand are wage subsidies for hiring youth, which generally target low-income individuals. In some countries, these subsidies are specifically assigned when youth are hired. Others call for general subsidies for hiring personnel for a specific size of enterprise or sector and in cases where youth actively participate. Consequently, the impact on this age group is expected to be significant. Economic subsidies also form part of the incentives for the development of employment or of the microenterprise, together with mentoring of the business owner.

TABLE 3 Actions to Create Formal Jobs.

<table>
<tr><th colspan="2">Incentives for Formal Job Creation</th></tr>
<tr><th>Labour Demand</th><th>Labour Supply</th></tr>
<tr><td>Compensate</td><td>Generate</td></tr>
<tr><td>↘ initial low productivity (limited skills, experience)
↘ contexts not conducive to hiring (own business as alternative)</td><td>↘ technical and soft skills
↘ on-the-job training</td></tr>
<tr><td>Wage Employment</td><td>Training</td></tr>
<tr><td>↘ wage subsidies
↘ discounts for social security contributions
↘ tax breaks
↘ hiring quotas</td><td rowspan="2">↘ completion of basic education
↘ vocational training
↘ internships</td></tr>
<tr><td>Self-employment or Microenterprise owner</td></tr>
<tr><td>↘ business advice and/or financing
↘ administrative simplification for registering
↘ new enterprises</td><td></td></tr>
</table>

Source: ILO.

By contrast, labour supply incentives are more likely to specifically target youth, especially with respect to skills development. Training consists of completion of mandatory education or a combination of classroom training with on-the-job training through internships. The internship component has

recently been reintroduced in nearly all countries with training initiatives as a means of developing or strengthening skills through concrete work experience.

Stimulating demand

Experiences developed in Argentina, Brazil, Chile, Colombia, Mexico and Uruguay are examples of policies providing subsidies for hiring youth or that have a potential impact on this group. Some of these initiatives link the hiring subsidy with training activities to be provided by the employer or under the responsibility of the young workers, establishing it as a condition. The objective is to guarantee that on-the-job training complements formal education during the formative years, when the process of human capital accumulation is more intense.

Chile has two subsidies for hiring youth. These subsidies can even function in a complementary fashion for the same worker-employer. These are the wage subsidy –*Subsidio al Empleo Joven*– and the subsidy for social contributions for hiring youth –*Subsidio a la contratación y cotización*.

The *Subsidio al Empleo* Joven Programme, which Chile has implemented since 2009, seeks to formalize jobs for youth aged 18 to 24 who belong to the poorest 40% of the population. It consists of a monetary benefit both for the young worker and his employer of up to 30% of the wage if this corresponds to the minimum wage (20% worker, 10% employer). The subsidy can also be requested by own-account workers, who like employees, must be up-to-date on their social security contributions. The amount of the subsidy gradually decreases as the wage increases until it is finally eliminated.

Workers receive the subsidy as long as they are aged 18 to 24, with some exceptions for reasons of maternity or education. Female workers can request an additional 18-week period –equivalent to maternity leave– for each live child they give birth to when aged 18 to 24. According to the Ministry of Education, workers who have enrolled in higher education can request a subsidy extension up to age 27. The subsidy is cancelled if the youth turns 21 and has not completed his mandatory education[7].

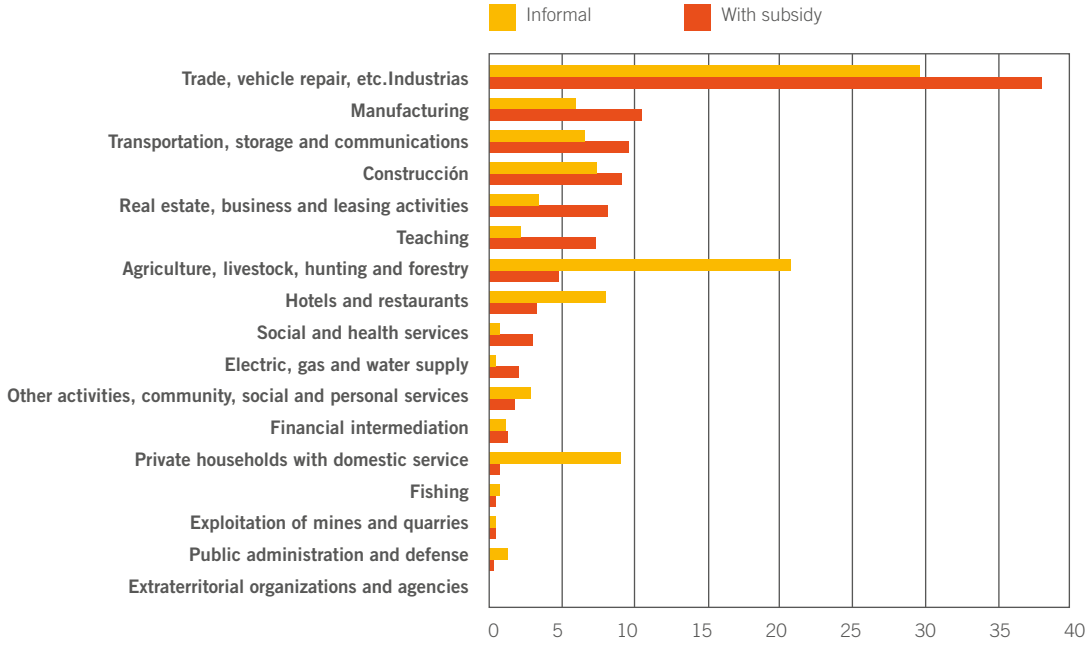
The *Subsidio al Empleo Joven* has a coverage rate of 20% of the eligible population. Six of every 10 youth who receive the programme subsidy have indefinite employment contracts. For their part, enterprises that request the subsidy are usually smaller, in other words, those with fewer than 10 workers (44% of the total) up to enterprises with a maximum of 49 workers (31%). The distribution of enterprises by sector demonstrates that the trade and restaurant and hotel sectors are the main recipients of the subsidies (29%), followed by real estate services (20%) and non-metal manufacturing (9%) (Universidad de Chile, 2012).

Young employees who receive the subsidy are by definition formal, and this is reflected in the distribution by economic sector, where some sectors exhibit large gaps given the participation of informal employees. Considering youth who are eligible to receive the subsidy (those aged 18-24 belonging to the poorest 40% of the population), Figure 9 illustrates the gaps between informal and formal employees with subsidies. Employees in the trade (38%), manufacturing (10.4%), transport, storage and communications (9.6%) and construction (9.2%) sectors are the main recipients of subsidies. Informal employees are concentrated in the trade (29.7%), agriculture, livestock, hunting and forestry (20%); and domestic service (9%) sectors.

The results of a quasi-experimental impact evaluation of the *Subsidio al Empleo Joven* demonstrate its positive effects on the incorporation of youth in the formal labour market and the labour participation of vulnerable workers in this group. Employability was higher than that of the total group of vulnerable youths and the subsidy had a positive impact on labour participation –more so among men than women (Universidad de Chile, 2012).

7 A requirement in effect since 2011.

FIGURE 9 Chile. Distribution of youth receiving subsidies from the *Subsidio al Empleo Joven* Programme and of informal youth, by sector, 2011.



Source: ILO, based on SEDLAC (CEDLAS).
Note: Definition of informal employment based on social protection only.

The *Subsidio a la Contratación y Cotización de Jóvenes*, established by Law Nº 20.225 of 2008, also promotes employment formalization among youth and is compatible with the receipt of subsidies from the *Subsidio al Empleo Joven Programme*. It subsidizes the hiring and social benefits of workers aged 18 to 35 who have made at least 24 payments (continuous or non-continuous) to their pension fund. It offers subsidies to both the employer and worker. Employers who hire young workers who receive a wage equalling at least 1.5 times the monthly minimum wage receive an amount equivalent to 50% of the monthly social security payment corresponding to the minimum monthly wage during the first 24 months. The young worker also receives this subsidy, which is directly deposited into his individual retirement account every month.

Despite the increase in benefits during the first two years of implementation, applications for the subsidy declined beginning in 2010, which is attributed in part to the social security debt of some employers and limited programme dissemination. According to the latest available statistics (2012), the hiring subsidy was awarded to just 289 enterprise applicants whereas the contribution subsidy was granted to 31,692 young workers (Commission of Pension System Users, 2013).

Uruguay institutionalized incentives for hiring youth in the *Régimen de Promoción de Inversiones* and Law Nº 19133 on Promotion of Decent Work for Youth. In the former case, six indicators are used to evaluate projects submitted to obtain tax exemptions, with that of job creation having the most weight (30%). The indicator is measured in employment account units for each job created and is increased by 25% if a youth under age 25 is hired (Apella and Vezza, 2012). Law Nº 19133 mandates a maximum wage subsidy of 25% over the amount of US$ 450 for youth aged 15 to 24 who have no more than three months of formal work experience and to employers who offer one-time work contracts of between six and 12 months to each young worker. Additionally, the law establishes a wage

subsidy ranging from 60% to 80%[8] for employers who hire vulnerable, unemployed youth under age 30 (Lagomarsino, 2014).

Brazil has legislation that defines subsidies for the hiring of young interns, in other words, for their training. Internship Law Nº 10097 of 2000 was created to facilitate youths' transition from school to formal employment, with a focus on on-the-job training to complement classroom learning. Additionally, it establishes a quota for enterprises for hiring interns. The law mandates that medium-sized and large enterprises must offer internship training to youth aged 14 to 24 equivalent to between 5% and 15% of their staff[9]. Interns must attend school or accredited vocational training centres. Interns work six-hour days and receive the hourly minimum wage. Internship contracts may have a duration of up to two years. The subsidies to enterprises are made through reductions in contributions to the indemnity fund (enterprises deposit only 2% in the case of this type of contract, as compared with 8%-8.5% for other contracts) during the contract period, and incur no additional costs for layoffs.

Between 2005 and 2013, 1.7 million youth worked as interns. The profile of beneficiaries of these contracts in 2013 suggests that young men in the youngest age group, 14 to 17, are favoured. This type of contract was most beneficial to youth with more education. The predominant education level among interns was incomplete secondary school (60% of the youth hired, Table 4).

TABLE 4 Brazil. Profile of workers with internship contracts, 2013.

Total	335809	
Gender		
men	176614	52.6%
women	159195	47.4%
Age		
14-17	227688	67.8%
18-24	107082	31.9%
25-29	390	0.1%
30-39	437	0.1%
40 and over	212	0.1%
Educational level		
illiterate	73	0.0%
primary education or less	40421	12.0%
incomplete secondary education	201369	60.0%
complete secondary education	86937	25.9%
incomplete higher education	5514	1.6%
complete higher education	1495	0.4%

Source: Ministry of Labour and Enterprise, Boletim da Aprendizagem Profissional 2013.

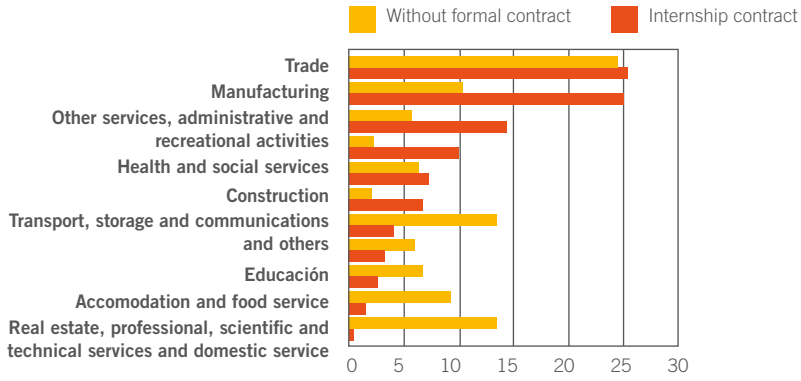
The distribution of internship contracts by economic sector does not exactly replicate the distribution of young informal workers (Figure 10). A comparison between the distribution of youth with internship contracts in 2013 and the distribution of youth without formal contracts –who were also eligible to obtain

8 These benefits are currently offerred under the Objetivo Empleo protected employment programme.

9 The maximum eligible age was increased from 17 to 24 in 2005, through Law Decree 5598. Disabled individuals over age 24 may also participate.

internship contracts[10] in 2012– revealed a bias in internship contracts favouring those sectors with fewer young informal employees. Although 10% of informally employed youth work in manufacturing, this sector concentrated 25% of internship contracts. A similar trend was observed in the services and administrative activities; health and social services; and transport, storage and communication sectors, which have a high incidence of internship contracts compared with the concentration of informal youth. The gap is even more evident in the case of domestic service, where 13.5% of youth enrolled in school work without a formal contract. The trade sector was the exception. A total of 24.7% of informal workers were employed in the trade sector and 25.5% of internship contracts were also concentrated in that sector.

FIGURE 10 Brazil. Distribution of internship contracts in 2013 and lack of formal contracts for employees aged 14-24 who attended school in 2012, by sector.



Source: : ILO, based on SEDLAC (CEDLAS) - PNAD 2012;
and Observatório do Mercado de Trabalho Nacional de MTE, Boletim de Indicadores do Mercado de Resumo dos Contratos of Aprendizagem Nº.01.

A quasi-experimental evaluation of the contracts in the framework of this law demonstrated positive effects in the type of employment obtained following the completion of the internship contract. Youth with internship contracts have a better chance of accessing formal employment in subsequent years and also a greater possibility of obtaining a permanent contract, as compared with a group of workers with temporary contracts (Corseuil, et al, 2012)..

In **Mexico,** the *Law of Promotion of the First Job*, in effect since 2010, also grants economic benefits for hiring youth who have never held a formal job. It establishes a fiscal incentive for enterprises that create new jobs for youth aged 18 to 25 who are not registered with the Mexican Social Security Institute –in other words, youth who have not previously contributed to social security. Fiscal incentives are designed to help employers cover social security expenses. They consist of a reduction in income tax and the flat-rate business tax. In 2011, through Decree DOF 31-12-2010, an additional deduction was added to reflect income tax modifications mandated in the Law of Promotion of the First Job. To receive the subsidy, employers must provide work contracts of at least 18 months' duration, with a wage up to eight times the minimum wage. The newly created job must be for a period of at least three years. Once this period has passed, the newly created jobs do not qualify for subsidies under this law. The country also launched a labour reform in 2012, which defined contract schemes for seasonal and temporary workers, including youth.

In **Argentina,** the *Law of Promotion of Registered Employment and Prevention of Labour Fraud*, Nº 26940 of 2014, defines special schemes for hiring in enterprises with few staff members –where youth

10 In other words, aged 14 to 24 who attend school.

are in the majority. One of these corresponds to the scheme for microenterprises, with a maximum of five workers, which receives a 50% reduction in the employer contributions for each new worker hired for an indefinite period in the case of a fulltime contract, and of 25% for part-time contracts. Different benefits are available for employers with between six and 80 workers. Those with up to 15 workers have an exemption of employer contributions during the first year and a 75% subsidy during the following year. For employers with between 16 and 80 workers, subsidies amount to 50% of employer contributions for two years. Workers incorporated under this scheme have full access to social security given that these reductions are subsidized by the national government.

In **Colombia**, the Law of Formalization and Job Creation, Nº 1492 of 2010, offers benefits to employers for hiring specific groups of workers[11], including youth under age 28. In the case of jobs created since December of the previous year, with wages below 1.5 minimum wages, the employer may discount from the income tax the amount of the parafiscal taxes (9 percentage points corresponding to the Compensation Funds, the National Learning Service and the Colombian Institute of Family Welfare; 1.5 percentage points of the Minimum Pension Fund; and a percentage point of solidarity contribution to the Solidarity and Guarantee Fund). Employers also receive a discount on their business licenses. This is a staggered subsidy in both cases. For the income and parafiscal taxes, subsidies cover 100% during the first two years, 75% in the third year, 50% in the fourth and 25% in the fifth. In the case of the business license, the subsidy is 100% in the first year, 50% in the second and 25% in the third. As a complement to these tax incentives, the government simplified procedures for registering businesses with different public agencies. Of the 144,523 new enterprises registered through 2011, 69.2% were natural persons, 30.4% were companies and 0.4% were one-person enterprises –reflecting the formalization of small business units (Confecámaras, 2011).

In this initiative, employer subsidies for formalization resulted in work contracts with limited contributions during the first five years. The flipside to reduced parafiscal contributions of the employer was that the worker had fewer benefits in terms of the subsidy for children, dependents and housing. Workers receive 25% of the benefits in the third year, 50% in the fourth, 70% in the fifth, and full benefits beginning in the six year (Universidad Externado de Colombia, 2011).

This law is noteworthy for its treatment of beneficiaries of social programmes who obtain work contracts under this legislation. If the worker awarded a formal work contract is the recipient of subsidies from programmes registered in the System for the Identification of Potential Beneficiaries of Social Programmes such as *Familias en Acción* or the Colombian Family Welfare Institute, the worker will continue to receive those benefits for one year. Workers with subsidized health benefits will continue to receive them for two years.

The law also creates incentives for young entrepreneurs. Youth with a technical or professional education who establish a business receive credit benefits –with specific guarantees, technical assistance, advisory services and training. Government economic support in the form of seed capital is not subject to income tax. In addition to these tax incentives, beneficiaries are given a three-year subsidy for the business license registration. To this end, the law provides guidelines for adapting entrepreneurial programmes. Figure 2 demonstrates that young employers represent less than 1% of employed youth.

Current initiatives targeting young entrepreneurs provide technical assistance, and financial aid to a lesser degree. **Jamaica** implements different activities to encourage youth to develop business initiatives. These include training, mentoring, facilitating contact with relevant actors in the world of business and financial support. *Digital Jam 2.0*, which has been implemented since June 2012,

11 Women over age 40 who did not work in the formal sector during the previous year, marginalized individuals in the process of reincorporation and disabled people.

organizes training workshops and competitions for developers of mobile phone apps, and helps them obtain "mini-jobs" that provide training in intermediate skills. *Start-up Jamaica* speeds up the launching of enterprises by providing seed capital, training and mentoring to projects selected in a competition. There is a public-private partnership between the Ministry of Science, Technology, Energy and Mines, the Jamaica Development Bank and private local and foreign investors. The *Young Entrepreneurs Association*, which was established in 2005, represents young people who create business projects and offers them benefits for developing their activities. Through the Association, youth can access the Peer Mentorship Programme, where groups of eight to 10 young entrepreneurs meet regularly to exchange experiences and concerns about their businesses. The Association also gives members preferential access to programmes and events led by relevant actors in the business world to exchange experiences and lessons learned and facilitates the creation of a contact network (Brandon 2014). In **Mexico**, *Emprendedores Juveniles* encourages youth aged 18 to 29 to develop their business initiatives with a culture of business responsibility and productivity standards. The programme, which has been in effect since 2011, provides guidance and economic support to the best projects for the creation of sustainable enterprises.

Other initiatives to promote the creation of formal jobs include the schemes for the administrative simplification of new enterprises. These mechanisms include the establishment of single windows, simplification of procedures to obtain operating licenses and permits and reduced administrative wait times (ILO 2014p). Brazil, Chile, Colombia, Costa Rica, Panama and Guatemala implement initiatives to reduce the number of procedures required to register a new enterprise. For example, in **Brazil**, the launching of the *Empresa Simples* portal promotes the registration of micro and small enterprises in five workdays, in addition to providing information on entrepreneur training on the same portal (*Inova Fácil)*, facilitating access of the enterprise to credit (*Crédireto*) and offering a mechanism to complete legal procedures (*Concilia Já*). In **Chile**, there are three laws to promote simplification, the Law on Family Microenterprises (Law Nº 19740), the Law on Facilitating Procedures to Begin New Business Activities (Law Nº 20494) and the law creating the platform *Tu Empresa en a Día* (Law Nº 20659). In **Colombia**, Anti-Procedures Decree, Nº 19 of 2012 promoted improvements in the public administration to simplify administrative procedures and facilitate decision-making. In **Costa Rica**, the *Ventana Única Pyme* simplifies enterprise registration, provides access to programmes, financing and assessments on local demand and supply. In **Panama**, *Panama Emprende* allows for electronic registration, as does the *Tu Empresa en un Día Programme* in **Chile** (ILO, 2014b).

Supply incentives

Supply initiatives in the region focus on strengthening youth employment skills. Training may take the form of vocational or technical training, development of soft skills and on-the-job training –or a combination of these– provided in the classroom or the workplace. Some youth programmes encourage completion of formal education, generally known as "second opportunity programmes". These initiatives also tend to include employment service components, as well as an integrated focus to facilitate the transition of youth into the labour market (Vezza, 2014).

In **Argentina**, the *Jóvenes con Más y Mejor Trabajo* Programme, which began in 2008, has components that combine both labour supply and demand incentives[12]. The target population is youth aged 18 to 24 who have not completed mandatory schooling and who are not formally employed[13]. The programme's most developed component is improving youths' skills –through completion of basic

12 Youth tranisition through these different components and therefore receive a variety of benefits.

13 In 2014, the National Social Security Administration launched Progresar (Programa de Respaldo a Estudiantes de Argentina). It offers cash transfers to youth aged 18 to 24 who are unemployed or formally or informally employed but earning below the mininimum wage and who are in school or wish to return to school at any educational level.

education, vocational and on-the-job training– and their linkage to employment services. It also has a labour incorporation component that provides wage subsidies to enterprises that hire young programme participants. If an employer decides to hire a youth, he receives a fixed wage subsidy for six months as long as the job is a formal one. Additionally, the programme certifies that employers have not laid off workers in an effort to discourage employers from replacing workers.

Labour force training and education activities are more common than those that promote demand. Through this programme, approximately 60% of participants complete their education, 14% receive vocational training and 14% on-the-job training (Table 5). Through direct programme intervention, 1% of participants found formal wage employment through the job placement component and 0.7% became independently employed.

TABLE 5 Argentina. Participants of the *Jóvenes con Más y Mejor Trabajo* Programme, by components of labour supply and demand incentives, 2008-2014.

Participants*	658240	
Demand incentives – assistance with entering the labour market		
Wage employment	6335	1.0%
Own-account employment	4291	0.7%
Supply incentives – improved employability		
Completion of education	394561	59.9%
Vocational training	90398	13.7%
On-the-job training	90153	13.7%
Employment services – vocational guidance		
Introduction to the world of work workshop	531874	80.8%
Support for job searches	72603	11.0%
Guidance at job placement office (two visits monthly)	142542	21.7%

Source: Ministry of Labour, Employment and Social Security.
Notes: Data from August 2014.
* Youth who received monetary assistance for participating in at least one component –most participated in more than one.

A quasi-experimental evaluation was used to assess the vocational training component of the *Jóvenes con Más y Mejor Trabajo* Programme. The participation of young beneficiaries in these courses had a moderate positive impact on obtaining formal employment. The evaluation found that participation increased the probability of finding work in the formal sector by 10% to 13% in the year after completing the course. While this represents a 30% increase in the probability of finding formal employment as compared with a control group, the likelihood of obtaining formal employment remains low in both groups of youth. Potential explanations for this include other socioeconomic characteristics of informal or unemployed youth that limit their access to the formal market and which the component studied did not address. The evaluation also found that youth who participated in the vocational training component were formally employed for 21% longer than the control group (Castillo, Ohaco and Schleser, 2014; World Bank, 2014).

Mexico's longstanding *Apoyo al Empleo* Programme has a training component, Bécate, which is for unemployed people aged 16 and over. It has one component exclusively for youth aged 16 and 29 who have completed technical and vocational training but lack work experience. Training lasts from one to three months and youth are awarded a scholarship equivalent to one to three minimum wages, in addition to a transport stipend. If they are satisfied with the participants, employers are required to hire them once they complete training. To December 2014, the job placement rate for this programme was 74% of the total of 113,823 youth who participated in the training. On-the-job training

was assessed using a quasi-experimental evaluation. The results showed a higher job-placement rate in the short term –13 weeks after completing the training– which declined at 26 weeks (Analítica Consultores, 2012).

In **Chile**, the 2014 vocational training programme *Más Capaz* had two target populations: unemployed women and youth belonging to the poorest 60% of the population. Youth aged 18 to 29 were eligible, as were parents beginning at age 16. Specific conditions also existed for disabled individuals. The training scholarship enabled participants to attend vocational training courses, work as interns and receive job placements. The programme training target is 150,000 youth during the period 2014-2018.

Peru's *Jóvenes a La Obra* initiative has been implemented since 2011, and complements training with job placement services. Unemployed youth aged 15 to 29 living in poverty are eligible. Benefits include job training for wage or own-account employment, as well as technical assistance for entrepreneurial youth in rural areas. Participants are also offered job placement services through the Ministry of Labour's *Ventanilla Única*.

Another programme that works with the population that neither studies nor works is **Costa Rica's** *Ventanilla Empléate*, implemented since 2011. This is a platform enabling youth to access training and job placement services. Eligible youth aged 17 to 24 can receive scholarships for training in technical careers or trades. Youth living in poverty or who are at social risk have priority. Disabled individuals up to age 35 may participate (*Empléate inclusivo*). This is a public-private initiative where the government (the Ministry of Labour and Social Security) and the productive sector (Asociación Empresarial para el Desarrollo) have identified short- and medium-term employment opportunities to which the training is tailored.

In the **Dominican Republic**, the *Juventud y Empleo* Programme, which has been implemented since 2001, with different phases and financing, is an exception in the region given it long-term implementation and impact assessments. The programme seeks to improve the employability of at-risk youth aged 16 to 29 based on work experience and the development of basic skills. Participants attend training courses in basic skills and other technical skills. Afterwards, they begin a three-month internship in an enterprise. As a complementary measure, beneficiaries receive a stipend for transportation and food costs. Approximately 38,000 youth participated in the latest programme phase (2008- 2012).

The Programme has had three experimental impact evaluations. Two of these measured the impact on quality of employment. Ibarrarán, Ripani, Taboada, Villa and García (2012) found positive, significant effects on employment quality for men in the short term. Vezza, García, Cruces and Amedolaggine (2014) identified short-term positive effects on employment among women, which dissipated over the medium term. In the case of men, participants had fewer chances of obtaining formal employment than the control group in the medium term.

Mi primer Empleo Digno Programme is a similar initiative in **Bolivia**, implemented since 2009. The Programme seeks to develop the skills of urban and peri-urban low-income youth to help them find and keep formal jobs. Youth aged 18 to 24 attend three months of training, after which they receive certification as a basic, intermediate or auxiliary technician. After working as an intern for three months in private or public entities, they are coached for one month for job placement. The programme is currently undergoing an impact evaluation, where the effects on the quality of the employment youth obtained will also be measured. Results will be available in late 2015.

Brazil has implemented the *Integrado da Juventude PROJOVEM 2* Programme since 2008, with the PROJOVEM URBANO and PROJOVEM RURAL components, which aim to strengthen the human capital of youth by promoting continued attendance and completion of school, vocational training and human development. Youth must certify attendance or graduation from secondary school in order to continue in the programme. The programme targets adolescents urban youth, employed youth and

rural youth aged 15 to 29 who have not completed primary school and belong to households with a per capita income of up to half of the minimum wage. All groups except for adolescents receive financial aid. In the period 2008-2010, more than two million youth participated in the programme.

Uruguay promotes the development of job skills through concrete experience with the *Yo Estudio y Trabajo* Programme, implemented since 2012. The programme targets youth aged 16 to 20 who are in school and who lack formal job experience of more than three months. This one-year, government-funded internship provides social security benefits. Since it was established, it has benefited some 3,000 youth. Internships in enterprises is also a feature of the *Youth Employment Law*, which offers internships for graduates –with a 15% wage subsidy– and practical training in enterprises with specific rules on duration, contents and working hours.

In **Ecuador**, youth without work experience have benefited from the *Mi Primer Empleo - Pasantías Pagadas* Programme since 2013. In this programme, youth in their last year of school can apply for an academic internship or an academic excellence internship in a government agency for a maximum of four months (non-renewable), during which they receive social security benefits[14].

Transitioning to formality

In response to the high informality levels, several countries have implemented measures for the formalization of both productive units and workers in the informal sector and informal employment. These initiatives provide specific tools to these groups for their formalization and adaptation to existing legislation and define mechanisms and sanctions to ensure compliance. Table 6 lists the main measures adopted by the countries.

TABLE 6 Actions to promote formalization.

Formalizing Employment and Enterprises	
Formalization of informal employment	**Expansion of formal employment**
Legalization ↘ Small units of low productivity ↘ Informal workers	**Adapt legislation to formalize** ↘ Marginalized workers ↘ Formal workers with "fewer rights"
Advocacy ↘ Dissemination and advisory services	**Specific arrangements/schemes** *Youth without work experience* ↘ Guarantee minimum benefits in first job *Domestic service* ↘ Incorporate more labour rights *Rural workers* ↘ Sign agreements for worker insurance ↘ Formalize temporary contracts *Own-account workers* ↘ Simplify tax/social security payments by contract *Migrant workers* ↘ Regularize citizenship status ↘ Support migrants' return to country of origin
Incentives ↘ Administrative simplification for registration ↘ Tax deductions ↘ Elimination of penalties ↘ Reductions in social security contributions ↘ Support to enterprise sustainability	
Oversight ↘ Labour inspections and tax audits ↘ Penalties for non-compliance	

Source: ILO.

14 Regulations for implementing the Mi Primer Empleo, Sistema de Pasantías Pagadas Programme for 2013 – MRL-2013-2014.

These initiatives include the reduction of penalties and expenses for legalizing the activities of informal economic units; labour inspection; specific labour schemes that protect formal jobs in highly informal sectors such as domestic service, rural employment, outsourcing agencies and own-account employment.

Initiatives were also identified to increase access to formal employment among populations excluded because of their characteristics or because they are subject to a legal scheme that differs from that of other formal workers. Examples of these actions include special labour inclusion schemes for vulnerable groups such as migrants and the disabled. These establish labour rights and hiring conditions for domestic service workers, outsourced workers and own-account workers, among others. In general, these initiatives do not specifically target youth but rather cover the types of workers mentioned without consideration of age.

Incentives for formalization

The mechanisms to promote the legalization of economic activities and of workers employed in them are widespread in Latin America. Argentina and Colombia have enacted legislation of this type in recent years. Laws tend to wave penalties of employers who operate informally and to reduce costs associated with the formal hiring of employees. **Mexico** defined a National Plan that includes these incentives to formalize workers. No impact evaluations of these initiatives have yet been carried out to determine the net effect of these measures on formal employment and on youth employment in particular. Nevertheless, given their focus on both the enterprise scale and sectors of activity, it is likely that young workers benefit from the employment formalization that these instruments offer.

In **Colombia**, the Ministry of Trade, Industry and Tourism implements the *Colombia Formaliza* formalization strategy with other government agencies. The legal framework of this strategy is the Law on Formalization and Job Creation, Nº 1492, and its regulations, in addition to subsequent laws that address aspects of formalization –Law Nº 1450 of the *Plan Nacional de Desarrollo*, the *2011 Plan de Inversiones* and the *2012 Tax Reform Law*, Nº 1607. The main achievement of this legislation is the formalization of informal activities (Universidad Externado de Colombia, 2011). Between 2010 and August 2011, 87,043 existing enterprises legalized their business licenses through the amnesty law, mainly individual business units of the tertiary sector (Confecámaras, 2011)[15].

The *Ruedas de Formalización* component of *Colombia Formaliza* disseminates the benefits set forth in the law to legalize enterprises that operate informally. Enterprises with fewer than 50 workers and with assets of at least 5,000 minimum wages qualify for these benefits. These include amnesty for late payments for business licenses expired before 2008, income tax exemptions and discounts on social security payments. This programme component was expanded during 2011-2013, reaching 5,411 business owners[16].

The *Brigadas para la Formalización*, Law Nº 1607 of 2012, is another component of the programme. Based on surveys, the brigades provide the employers identified with a packet of services and access. An agreement was signed with Confecámaras[17] to expand coverage in municipalities through the different chambers of commerce. In these agreements, employers who agree to participate receive tax breaks for formalizing workers. During 2012-2013, agreements were made with 32 companies (ILO, 2014f). To date, 36% of the participating 160,000 economic units have been formalized.

Although this strategy does not have a special component for youth employed in informal activities, the Colombia Formaliza Plan of Action also prioritizes sectors with a high rate of informally employed

15 In effect, 73.9% were natural persons, 23% companies and 3.1% one-person enterprises. With respect to the activity sector, 74.6% belonged to the tertiary sector; 22.5% to the secondary sector and 2.9% to the primary sector.

16 Information is available at http://colombiaseformaliza.com/ejes-del-programa/brigadas-para-la-formalizacion/

17 This is a network of Chambers of Commerce representing 57 entities of the sector.

youth. The goal is to adapt the formalization strategy to the specific characteristics of the economic activity in the selected sectors: trade, construction, transport, restaurants and hotels, and business services. In those sectors, the informal employment rate among youth ranges from approximately 68% in services to 88% in restaurants and hotels. By status in employment, informal employment affects 99% of self-employed youth in the construction and trade sectors (Table 7).

TABLE 7 Colombia. Informal employment among young wage and own-account workers in prioritized sectors, 2012.

	Rate of informal employment among youth	Distribution of young workers	Young informal employees	Young informal own-account workers
Trade	78.2	21.9	62.2	98.9
Construction	83.5	6.5	77.3	99.1
Transport	78.4	9.2	53.9	96.3
Restaurants and Hotels	87.8	8.1	81.8	97.9
Services	67.8	7.3	43.2	88.3
Others	74.7	47.1	60.7	94.1

Source: ILO, based on SEDLAC (CEDLAS).
Note: The definition of informal employment is based on social protection onlyl.

As another incentive for employers to formalize their activities and workers, **Argentina** passed Law Nº 26476 of the *Régimen de Regularización Impositiva, Promoción y Protección del Empleo Registrado con prioridad en PYMES y Exteriorización y Repatriación de Capitales* in 2008. The law establishes several tax and social security benefits for formalizing informal economic activities and jobs –in addition to incentives for hiring new personnel. Specifically, it exonerates employers from fines and penalties, and forgives social security debts for up to 10 workers in the enterprise. Benefits are reduced when formalizing a larger number of workers. Formal workers are allowed to take into account the months necessary to access the universal basic benefit and unemployment insurance.

In terms of programmes, **Mexico** has promoted the *Federal Crezcamos Juntos* Programme since 2014. This programme targets employers of small enterprises that operate informally, own-account workers and street vendors. The programme seeks to coach and advise workers in the gradual transition to formality, offering both access to social benefits and to programmes that support the strengthening of the business, such as subsidies, training or financing. These incentives include a subsidy for social security payments of employees for a 10-year period –equalling 50% of the cost during the first two years and decreasing by 10 percentage points every two years to finally decline to 10% in the last two years. As a complementary measure, the programme also establishes a declining 10-year discount in income tax payments –which begins at 100% in the first year and decreases by 10 percentage points annually. Small trade enterprises are entitled to exemptions of sales taxes and the special production and services tax for a 10-year period.

Peru modified its law on small and medium-sized enterprises –*MYPE Law*– in 2013 through Law Nº 30056. The new scheme classifies enterprises as micro, small and medium-sized, depending on their annual sales, regardless of the number of workers they employ, unlike the previous law. It also establishes that only microenterprises and small enterprises are eligible for the special labour scheme set forth in the MYPE Law. This scheme is more flexible than the general labour scheme[18], with a view to promoting the hiring of new or existing staff in small enterprises. It differs from the general scheme because workers under the special scheme have less vacation time and lower severance pay. Additionally, pension and health insurance plans are not mandatory. The evaluation of the scheme

18 The Special Labour Scheme was in effect until 2013, when Law Nº 30056 was extended to 2015.

previous to the modification identified positive effects in the formalization of microenterprise workers (Chacaltana, 2008).

Some countries of the Region have also implemented incentive programmes for family agriculture, which exclusively target youth. These initiatives support the rural development of household units to increase enterprise productivity and sustainability.

In **Brazil**, the *Nossa Primeira Terra* Programme –in the framework of the national *Crédito Fundiário* Programme, which has been implemented since 2003, seeks to promote the development of rural youth aged 18 to 29. The programme provides financial aid to young rural workers who have little or no land, children of farmers and students of agricultural schools who want to acquire farmlands. Programme support includes preparation of the land, purchase of tools and technical assistance.

Colombia has implemented the *Jóvenes Rurales Emprendedores* Programme since 2004, which serves vulnerable rural youth aged 16 to 35. The programme provides six months' of technical assistance and training to develop skills in strategic sectors. Training contents are defined in accordance with the business projects selected. Participants receive support and guidance in how to develop their business plan and to access financing. In the period between its establishment in 2004 and 2012, the programme has benefited more than 1.5 million youth.

The programme's quasi-experimental impact evaluation did not measure its effects on formalization variables. Estimated effects on employment, labour income and management skills of participating youth are positive. These effects are short term and their duration is unknown, however (Castañeda et al, 2003).

Labour Inspection

Just because legislation exists is no guarantee that it will be enforced. Thus, in the framework of formalization strategies, countries of the region have implemented strategies to verify compliance through labour inspections. Although countries varied in terms of implementation periods, the region's accumulated experience in this area has focused on identifying informal employment in sectors prioritized due to their high rate of informality. While these actions do not consider age profiles, due to the characteristics of the establishments selected for inspection –and in the absence of rigorous evaluations on their effects— it is likely that these policies have had an impact on youth as a group.

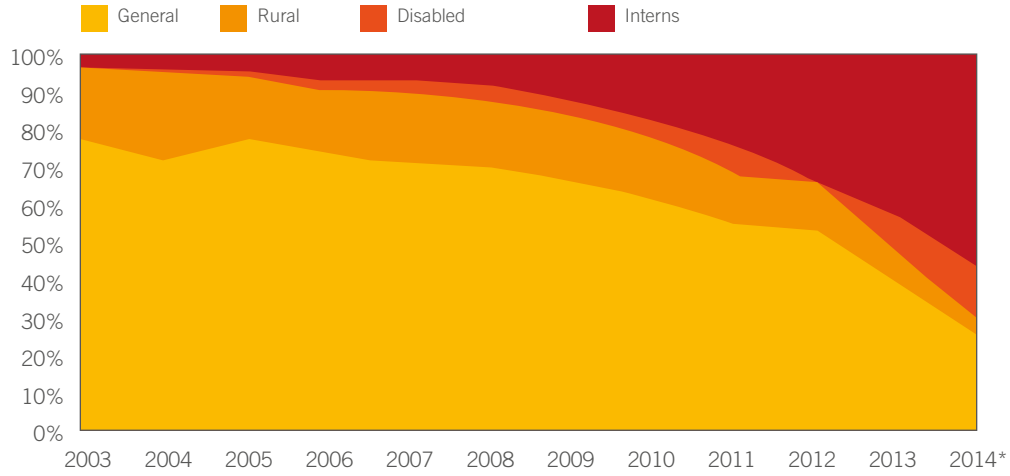
In **Argentina**, the labour and social security inspection system was institutionalized through Labour Law Nº 25,877 of 2004. This system implemented the *Plan Nacional de Regularización del Trabajo Registrado* to identify unregistered employment for its formalization. This is the responsibility of the Ministry of Labour, Employment and Social Security, the tax authority (Administración Federal de Impuestos Públicos) and the social security administration (Administración Nacional del Seguridad Social y Superintendencia de Riesgos del Trabajo)[19].

Given that the inspections target small enterprises, it is likely that many young informal workers have been identified. According to estimates, for the period 2005-2012, 76.2% of inspected enterprises had at least three informal workers whereas 9.7% had between four and five informal workers (Maurizio, 2014). In terms of sectors, approximately 60% of informal workers were concentrated in trade and real estate activities. As a result of inspections, labour formalization of the youngest workers was highest, on average. Three percent of all employees were inspected annually and 37% of those found to be informal were formalized. Among the workers identified, youth were most likely not to be registered. The non-registration rate was 49% for workers younger than 22, and 27% for those aged 23 to 35. Here, too, the percentages of formalization were higher than the average, at 40% and 38% for these age groups, respectively (Maurizio, 2014).

19 Recently, the enactment of Law Nº 26.940 in 2014 has strengthened this labour inspection role.

Brazil implemented a national plan to identify informal employees in 2014, which called for strengthening and integrating labour inspection policies. Current labour inspections, in addition to verifying the proper registration of workers, certify compliance with the internship contract quotas established in the Internship Law. The minimum quota is 5% and the maximum 15% of the total employees whose job duties[20] require professional training. The registration of workers with internship contracts has progressively increased as a share of total formalized workers following inspections (Figure 11). In effect, their participation rose from 3% of total registered workers in 2003 to 57% in September 2014.

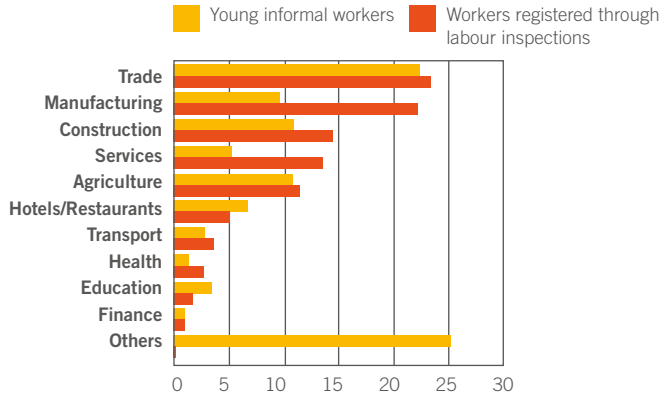
FIGURE 11 Brazil. Workers formalized through labour inspection activities – distribution by type of worker, 2003-2014.



Source: MTE, 2014.

Inspections focus principally on urban areas and specific sectors. Workers were registered mainly in the trade (23.3%), manufacturing (22.3%), construction (14.6%) and service (13.6%) sectors in 2012. Those sectors tend to concentrate informally employed youth (Figure 12).

FIGURE 12 Brazil. Distribution of informal workers (15-24) registered through labour inspections, 2012.



Source: Memoria STE 2012 and ILO, based on SEDLAC (CEDLAS) - PNAD 2012.
Note: Definition of informal employment based on social protection only.

20 Excludes those requiring technical or higher education, temporary workers and interns already hired.

In **Peru**, the inspection system was reformed in 2006 (through Law Nº 28806), which centralized activities in a Labour Inspection System. Inspections are both preventive and punitive. In 2008 the *Plan de Registro Obligatorio de Trabajadores en Planilla* (known as Plan Reto) was implemented, with targets for registering informal workers. The plan, which focused on highly informal sectors regardless of enterprise size or activity, led to the registration of some 50,000 workers by 2011.

Mexico strengthened its labour inspection system through the *Formalización de Empleo* Programme in 2013. This Programme was authorized by the national government, federal agencies and the Federal District, together with the Mexican Social Security Institute, to coordinate actions to eradicate informality, fulfilling the commitment to comply with labour and social security law. Additionally, the programme encourages voluntary insurance coverage for specific groups of workers.

Ecuador has also made its inspection policies more proactive in recent years, and has increased penalties for non-compliance. The country strengthened its inspection system by launching public awareness campaigns and information brigades in cities and significantly increasing the number of inspectors (from 14,000 in 2008 to 320,000 in 2011). Specific registration campaigns were also launched, such as *Trabajo Doméstico Digno*, to encourage compliance with labour obligations for the hiring of domestic workers in 2010 (ILO 2014o). Subsequently, a 2011 referendum obtained majority support for considering the non-registration of employees as a criminal offense, which includes a fine, a three-year prison sentence and the seizure and closing of the enterprise. Estimates on the impact of labour inspections indicate that registration by inspected enterprises is only partial (World Bank, 2012).

Special schemes

Inspection efforts have traditionally focused on identifying irregularities in certain economic sectors, generally smaller enterprises in urban areas, thereby ignoring highly informal sectors. Consequently, there is little oversight of own-account workers and rural and small enterprises operating in the informal subsistence economy or in household services. **Mexico's** formalization programme reaches several of these groups by promoting voluntary insurance coverage by the Mexican Social Security Institute for own-account workers, contributing family workers and domestic workers. Once again, formalization initiatives focus on workers in certain sectors, without specifically targeting youth. Nevertheless, the high incidence of informal employment among youth in rural areas would suggest that youth are indeed one of the target populations.

Domestic service workers

In accordance with ILO Convention 189 concerning domestic workers (2011), several countries of the Region adapted or established specific labour schemes for domestic workers, who have worked under highly precarious conditions in recent years. In Chile, 2.1% of employed youth work in domestic service; in Paraguay, up to 14.3% of employed youth work in that sector. This suggests that formalization policies in this sector would have an impact on youth (Table 8). With the exception of Venezuela and Chile, where 41.7% and 18.8% of youth in the domestic sector are own-account workers, respectively, domestic workers in the rest of the region are generally employees, especially informal employees. The percentage of young informal workers in the domestic service sector surpasses the average for total informal workers in all countries in the Region.

TABLE 8 Latin America (18 countries). Informal workers employed in the domestic service sector, latest available surveys.

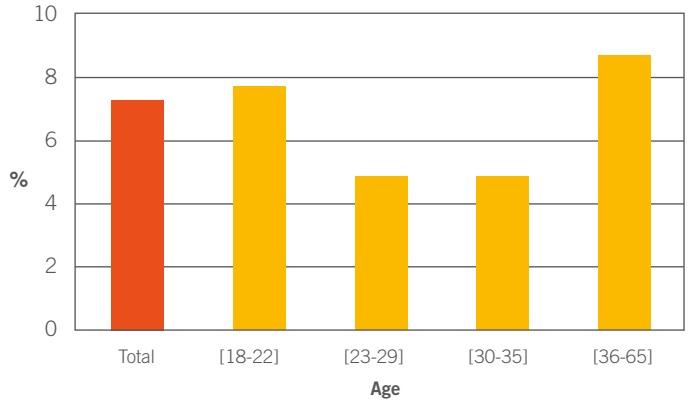
		% employed in domestic service sector[1]	Employed in Domestic Service Sector[1]			% of youth[3] employed in domestic service sector	Youth employed in domestic service sector[3]		
			Status in employment		Own-account worker[2]		Status in employment		Own-account worker[2]
			Employee	Own-account worker			Employee	Own-account worker	
Argentina	2013	7.7	99.4	0.6	80.6	7.1	99.4	0.6	91.7
Bolivia	2012	7.1	98.2	1.8	16.3	2.7	91.0	9.0	71.7
Brazil	2012	7.6	100.0	0.0	62.0	4.9	100.0	0.0	85.6
Chile	2011	6.9	83.3	16.7	49.0	2.1	81.2	18.8	68.7
Colombia	2012	4.0	99.0	1.0	87.0	3.9	99.3	0.7	95.7
Costa Rica	2012	7.3	100.0	0.0	82.8	5.0	100.0	0.0	94.5
Dominican Republic	2011	6.0	99.8	0.2	100.0	3.4	100.0	0.0	100.0
Ecuador	2012	2.8	100.0	0.0	72.3	2.2	100.0	0.0	85.0
El Salvador	2012	5.0	100.0	0.0	95.7	6.2	100.0	0.0	99.5
Guatemala	2011	5.8	93.7	6.3	97.8	7.7	97.3	2.7	98.6
Honduras	2010	4.4	89.9	10.1	.	6.5	95.9	4.1	.
Mexico	2012	5.5	96.9	3.1	99.1	4.9	99.6	0.4	100.0
Nicaragua	2005	6.0	100.0	0.0	99.1	6.7	100.0	0.0	100.0
Panama	2012	5.0	100.0	0.0	.	3.8	100.0	0.0	.
Paraguay	2010	8.8	100.0	0.0	0.0	14.3	100.0	0.0	0.0
Peru	2012	3.2	100.0	0.0	87.6	5.6	100.0	0.0	98.7
Uruguay	2012	8.6	86.7	13.3	46.3	6.2	91.1	8.9	75.0
Venezuela	2006	5.1	45.7	54.3	81.9	4.8	58.3	41.7	85.2

Source: : ILO, based on SEDLAC (CEDLAS).
Notes: [1] Adults over age 15. [2] Definition of informal employment based on social protection only. [3] Youth aged 15 to 24.

Uruguay was the first country in the Region to adopt Convention 189. Since 2006, the country has fully incorporated domestic service workers in the social security system through the Law Regulating Domestic Work, Nº 18065. This Law grants them access to severance pay, workdays with break periods, unemployment insurance, health care and collective bargaining, among other rights. Youth in Uruguay participate more actively in the segment of child caretakers (included in this scheme). Approximately 53% of caretakers are under the age of 35 while youth under age 25 account for 39 percentage points. By contrast, domestic service workers tend to be older –20% of these workers are under age 35 and youth under age 25 account for only six percentage points (Gallo and Santos, 2014).

In **Argentina,** the *Régimen Especial de contrato de trabajo para el personal de casas particulares* was established in 2013 through Law Nº 26844, which was regulated the following year through Decree Nº 467. The new legislation expands the rights of this group to include those set forth in the Employment Contract Law, where employers assume the corresponding labour and social benefit obligations. As an incentive for formalization, employers may also deduct the cost of hiring domestic service from income taxes. Households are a highly diverse, informal segment of the labour market, particularly in Argentina (Bertranou and Casanova, 2014). The application of the law will likely have a significant impact on young workers, particularly the younger ones. Of the group of employed youth aged 18 to 22, 7.8% work in domestic service, a percentage similar to the average for the total population employed in this sector (Figure 13).

FIGURE 13 Argentina. Percentage of domestic service workers, by age group, 2013.



Source: ILO, based on SEDLAC (CEDLAS).
Note: EPH-C 2013-I semester.

In **Brazil**, the new Domestic Work Law was enacted 2014. This law makes extends the same rights to domestic workers that other workers enjoy. The law also establishes penalties for employers who do not complete formalization procedures. Similarly, **Chile** enacted the Law of Private Household Workers in 2014, with improved benefits, which are comparable to those of other workers. Like in **Argentina**, employers are eligible for a tax deduction for the formal hiring of these workers. In **Colombia**, Decree Nº 721 of 2013 established the obligation to enrol domestic service workers in the Household Compensation Fund, which caused enrolment in this fund to double (ILO 2014f). In 2011, **Venezuela** enacted the Special Law to Dignify Residential Workers, which upholds domestic workers' labour rights and grants them use of the property where they provide services.

Rural sector workers

The rural sector has a high level of informal employment and a large share of young workers, particularly in some countries. The Region has developed initiatives to formalize rural and family agricultural

workers, where youth as a group potentially benefit from the general policies to formalize rural workers. In this sector, youth are as likely or more likely as adults to have informal labour relations or to be vulnerable to them (Table 9), especially in Central America. In that sub-region, the participation of young workers in the rural sector is high, surpassing the average for the participation of total workers in the sector.

In Honduras and Guatemala, more than half of employed youth work in the rural sector (59.2% and 51.5%, respectively), whereas in Nicaragua and El Salvador, the percentage of youth employed in that sector exceeds 45%. At the other extreme, in Uruguay, Chile and Brazil, the proportion of youth employed in the rural sector ranges from 6.3 to 16.2%.

The status in employment of youth in the rural sector varies across countries. In Central America, approximately half of youth employed in the sector are employees, with the exception of Costa Rica, where 84.1% have wage employment. The incidence of informal employment among young rural employees ranges from approximately 80% in Colombia, Ecuador, Paraguay, El Salvador, Nicaragua and Guatemala to more than 90% in Mexico, Peru and Bolivia. Own-account workers represent a lower percentage of youth employed in the rural sector, except in the Dominican Republic and Colombia, where own-account workers account for 45.5% and 36.3%, respectively, of youth employed in the sector.

With the exception of the Dominican Republic, Costa Rica and Uruguay, another status in employment is prevalent in the rural sector: contributing family workers. Contributing family workers account for between a third and two-third of workers employed in this sector. Bolivia has the highest percentage of contributing family workers in the rural sector (63.4%), followed by Nicaragua (45.7%) and Peru (41%). These workers account for between 33% and 38% of the total in Panama, Guatemala, Ecuador, Paraguay, Brazil and Honduras.

TABLE 9 Latin America (16 countries). Informal workers employed in the rural sector, latest available surveys.

Country	Year	% employed in rural sector[1]	Employed in rural sector[1]			% of youth employed (3) in the rural sector	Youth employed in the rural sector[3]		
			Status in employment		Informal employees[2]		Status in employment		Informal employees[2]
			Employees	Own-account workers			Employees	Own-account workers	
Bolivia	2012	34.4	18.4	45.5	67.9	37.8	21.7	14.8	93.0
Brazil	2012	15.3	41.0	28.1	46.7	16.2	52.0	11.2	58.3
Chile	2011	11.6	72.5	25.0	26.7	12.9	91.4	7.7	33.6
Colombia	2012	21.4	35.5	51.1	74.4	24.5	44.1	36.3	88.7
Costa Rica	2012	34.5	72.1	21.9	37.6	39.7	84.1	9.2	49.6
Dominican Republic	2011	32.2	40.5	55.2	39.8	33.0	47.3	45.5	63.6
Ecuador	2012	33.4	43.5	37.2	72.5	38.7	54.3	9.0	83.3
El Salvador	2012	34.1	50.2	33.1	76.3	46.4	55.9	11.8	84.2
Guatemala	2011	45.8	48.2	32.5	81.8	51.5	54.6	9.7	87.7
Honduras	2010	52.9	33.4	36.5	.	59.2	46.2	15.4	.
Mexico	2012	22.1	47.7	22.9	84.2	23.1	61.6	7.1	90.5
Nicaragua	2005	42.0	38.2	36.6	85.1	48.2	44.0	10.3	89.3
Panama	2012	30.6	45.7	38.5	.	37.8	49.5	17.5	.
Paraguay	2011	39.6	33.5	48.7	80.4	44.5	45.4	17.5	87.2
Peru	2012	26.3	23.3	46.0	77.8	30.0	46.6	12.4	91.8
Uruguay	2012	6.8	52.8	30.8	18.5	6.3	74.7	13.1	37.3

Source: ILO, based on SEDLAC (CEDLAS and World Bank).
Notes: [1]) Adults over age 15 [2]) Definition of informality according to social protection. [3] Youth aged 15 to 24.

As a formalization mechanism, **Argentina** has promoted shared responsibility agreements with trade unions since 2008. These agreements are signed with workers' associations (union representatives) and producers. Instead of making monthly social security payments, employers make a deferred payment that more closely coincides with seasonal production periods. One of the first agreements was between tobacco producers and workers (Bertranou and Casanova, 2014).

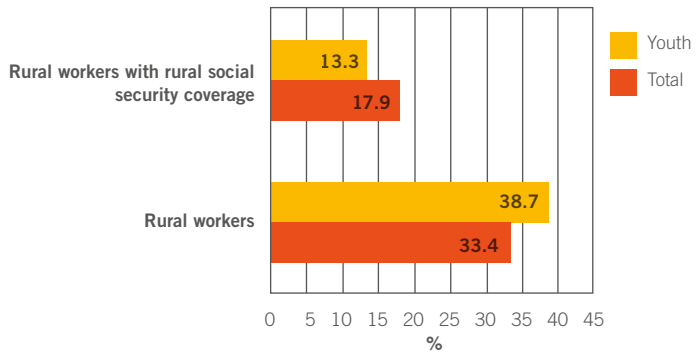
Later, in 2011, the country launched a new agrarian work scheme through Law Nº 26727. This law establishes several types and characteristics of rural employment contracts, which may be temporary or permanent, and within the latter category, continuous or intermittent. In addition to guaranteeing labour rights, including maternity leave for pregnant rural temporary workers, it establishes penalties for irregularities in worker registration. Regulations of the law were adopted in 2013.

Brazil also modified legislation for regulating rural employment by allowing for temporary contracts of up to two months in 2008. This type of contract is used during harvest periods to discourage the usual informality in this type of work. With the new regulations, workers receive formal employment contracts with associated labour rights (Bertranou, Casanova and González, 2013).

In **Costa Rica**, rural workers can access contributory social security through collective insurance. The Costa Rican Social Security Fund signs agreements with the workers' organization. This organization then provides a monthly payroll of affiliates and collects payments to subsequently transfer them to the Fund. It also agrees to undergo inspections. Social security payments are calculated in terms of the contributory capacity and productive activity of the organization. This calculation is then used to determine how much each worker owes –a payment which is subsidized by the government. Agreements have a maximum duration of one year, where the established quotas/contributions are maintained and can be renewed (Durán Valverde coord., 2013).

Ecuador has a subsidized rural social security (Figure 14) system for rural workers and small-scale, independent fishermen. It also channels access through organizations, in this case rural organizations and federations, which sign agreements with the Ecuadorian Social Security Institute. In 2012, youth –youth workers outnumber adult workers in the rural sector– have more limited social security coverage (13%) compared with the percentage for all rural workers (18%).

FIGURE 14 Ecuador. Coverage of rural social security among youth (15-24) and total of rural workers, 2012.



Source: ILO, based on SEDLAC (CEDLAS) – ENEMDU 2012.

Outsourced workers

There is also a special scheme for outsourcing, where enterprises hire other agents temporarily (agencies, cooperatives, companies). At the regional –and global– level, most workers associated with this type of employment are under age 30 (CIETT 2014). When this type of labour relationship lasts over time and begins to acquire the characteristics of a dependent labour relationship, it assumes

the form of a hidden wage labour relationship with a high level of precariousness, in terms of lower wages, labour rights, union representation and participation in collective agreements, as compared with workers on the payroll of the client enterprise. Only a few countries have regulations on the solidarity responsibilities between temporary employment agencies and their clients. In Argentina, Brazil, Chile, Panama, Peru and Uruguay, solidarity is established in labour rights and social security. In Colombia, the outsourcing agencies are directly responsible for social security payments –pensions, health and safety at work (CSA 2013).

Through Decree Nº 1694 of 2006, **Argentina** modified the legislation on enterprises that give support for temporary activities ("temporary service companies") in an effort to prevent abusive or fraudulent practices and ensure decent work conditions. The law defined the type of services to avoid substitution effects with services that have the characteristics of a labour relationship of a wage employment contract, established greater controls and developed a special enrolment registry. While these temporary employment agencies can only offer temporary services, they are often used as a resource to hire workers during a trial period for permanent positions at the companies.

According to the Argentine Federation of Temporary Employment Agencies (FAETT), approximately 43% of workers of outsourcing agencies were aged 18 to 25 in 2011. Considering that these labour relationships segregate workers from those on the company payroll –in terms of training and wage policy– these youth have limited perspectives for employment stability and development. The 2006 Decree protects labour income by establishing that wages paid by agencies cannot be lower than those defined in the collective employment agreement signed by the client enterprise (CSA-CSI, 2013).

In **Peru**, Law Nº 29245 on outsourcing defines the scope of the activity and the associated labour responsibilities. Outsourcing agencies must register with the National Registry of Outsourcing Enterprises if their activity involves the ongoing transfer of personnel to the client enterprise. Client enterprises are responsible for paying social benefits and social security in the case the outsourcing agency has not fulfilled this commitment.

More substantially, in the 2008 National Constituent Assembly, **Ecuador** eliminated precarious contractual agreements such as outsourcing and hourly contracts, prioritizing direct worker-employer contracts. Nevertheless, current law allows for some exceptions –for example, activities such as cleaning, messenger, food and security services can be outsourced, as can complementary services unrelated to the activity of the contracting enterprise (advertising, legal services, accounting, auditing and others).

Own-account workers

Most countries of the region have some type of simplified or preferential tax system to register the activities of own-account workers. System participants pay lower taxes due to the replacement or discounting of certain taxes. Shared characteristics of these systems include voluntary enrolment and participants who are mainly low-income trade or service workers lacking an organizational structure and who regularly enter and exit this employment status. Additionally, although these workers are registered, their activity is not effectively covered by labour inspections (Gómez Sabaini and Morán, 2012). Current systems have been in effect for decades in Argentina, Bolivia, Brazil, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Nicaragua and Peru. More recent schemes include those implemented in Chile, Paraguay and Uruguay in 2007; in Ecuador in 2008; and in the Dominican Republic in 2009 (Cetrángolo, et al 2013). In **Brazil**, the federal SIMPLES system established in 1996 was replaced by the national SIMPLES scheme in 2006. In 2008, Brazil created the individual microentrepreneur system (SIMEI) and the local development agents' system in 2008.

Some of these plans facilitate access to health and pension benefits. This is the case in Argentina and Uruguay with the Monotributo, and with pensions in the case of the SIMPLES/SIMEI system in Brazil[21].

Available results for Argentina and Uruguay indicate that these systems have successfully increased the registration of workers in retail trade or service activities, especially in urban areas of high economic activity. Results demonstrate that youth have differing levels of participation in these systems. In **Argentina**, half of affiliates of the single-tax system are in the lowest-income category. Tax compliance indicators are satisfactory, with a compliance rate of 83% in January of 2013 (ILO 2014n). In **Uruguay**, expansion of coverage was limited by the cost for some workers and by the system design. In terms of the former, despite fitting the profile, workers are concentrated in the low-income group, with fewer work hours and lower educational levels. In the latter, the gap of "potential" coverage is explained by the type of activities developed by own-account workers who are excluded from the scheme, such as domestic service, construction, rural and social service workers (Amarante and Perazzo, 2013).

Additionally, as Figure 2 demonstrates, young own-account workers account for a large share of total youth employment in the Dominican Republic, Colombia and Venezuela, representing between 26% and 37% of all young workers. By contrast, the proportion of young entrepreneurs is minimal in most of the countries, with the exception of Honduras, Mexico and Bolivia, where it ranges from 2.3% to 3.8%.

The **Dominican Republic's** Régimen Simplificado de Tributación targets small and medium-sized contributors. It has two eligibility modes: maximum amount of purchases or of income. The scheme offers temporary tax exemptions (six months in the case of income tax) as well as permanent ones (capital tax). It also facilitates accounting processes and interaction with the tax authority, among other benefits.

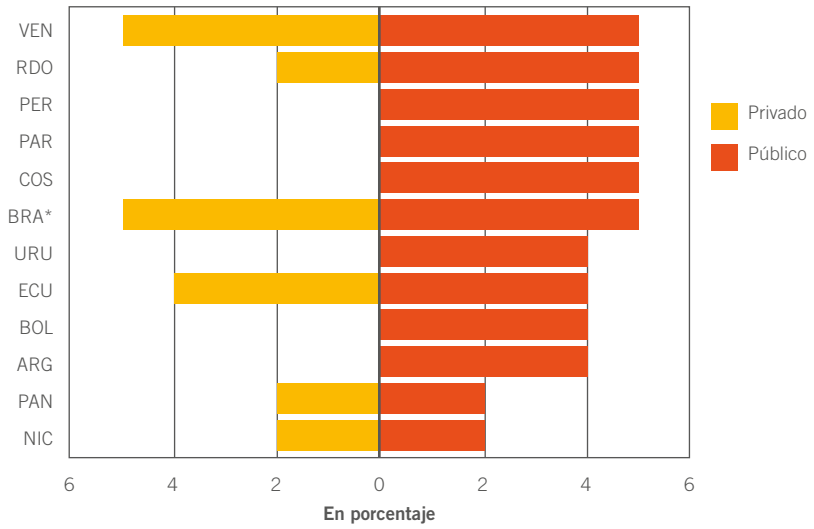
Labour inclusion of specific groups: disabled and migrant workers

Initiatives to promote access to formal employment by disabled persons or migrants are for all ages, including youth. In the case of the disabled, countries implement compulsory mechanisms such as quota systems or incentives for hiring of these workers. These include preferential treatment in public tenders, tax breaks and active employment policies specifically for this population. There are fewer initiatives for migrant workers and these tend to originate in the workers' home countries. There are only limited programmes available to migrant workers in the countries where they have emigrated.

Countries of the region have focused on hiring quota measures for the inclusion of disabled workers in formal employment. Currently, 12 countries have quota laws in effect. Regulations on quotas are mainly for public sector agencies, with rates ranging from 2% to 5% of the payroll. Six of the 12 countries (Brazil, the Dominican Republic, Ecuador, Nicaragua, Panama, and Venezuela) have extended the quota law to include the private sector (Figure 15).

21 Access to health services through the Sistema Único de Salud is by definition universal regardless of registration status.

FIGURE 15 Latin America. Mandatory quotas for the hiring of disabled workers, 2014.



Source: OISS 2014.
Notes: * Represents the maximum quota in terms of enterprise size.
RDO = DR.

Venezuela and **Brazil** have the highest hiring quota: 5% of the total workforce for both the private and public sectors. **Brazil** has a quota scale based on enterprise size, beginning with establishments of 100 workers. The quota is 2% for enterprises with 100 to 200 workers, 3% for enterprises with 201 to 500 workers, 4% for enterprises of 501 to 1,000 workers, and 5% for enterprises with more than 1,001 workers.

During its 2006 Labour Code Reform, **Ecuador** also defined quotas for hiring of disabled workers, establishing that both public and private employers with at least 25 workers must hire at least one disabled worker. The reform also called for the progressive introduction of the quota: 1% of the workforce in the second year of implementation, 2% in the third, 3% in the fourth and 4% beginning in the fifth year. Labour inspections of the Disabled Persons Unit verify compliance with the quota and in the case of non-compliance, there is a monthly fine of 10 minimum wages for private firms and an administrative and basic wage penalty for public agencies. **Panama** and **Nicaragua** established a 2% quota for enterprises with more than 50 workers. Nicaragua also requires enterprises with fewer than 50 workers to hire at least one disabled worker. In the **Dominican Republic**, the private sector quota is 2% of the workforce whereas it is 5% for the public sector.

As incentives for hiring disabled persons, some countries have established "social clauses" for suppliers that participate in public tenders. **Bolivia** prioritizes the hiring of suppliers where disabled workers make up 25% of the workforce; the percentage for **Mexico** is 5%. In **Chile** and **Colombia**, the hiring of workers with disabilities gives firms more points in bidding processes. In **Chile**, a *Sello Chile* Inclusivo certificate is issued to acknowledge the social responsibility of public and private enterprises for implementing inclusive labour practices for the disabled.

Another strategy is to provide tax benefits to enterprises that hire disabled workers. In **Argentina**, employers who hire workers with disabilities are eligible for a 50% tax discount during the first year and a special deduction on capital gains taxes. **Costa Rica**, **Colombia**, **Ecuador**, **Honduras**, **Mexico** and **Peru** establish income tax deductions. In **Mexico** enterprises can deduct investments made to adapt the workplace to the needs of disabled workers.

Finally, most countries of the region implement some active employment policy targeting workers with disabilities. These offer some combination of training, job placement services and subsidies to create

jobs directly (OISS 2014). The initiatives are generally smaller-scale adaptations of employment policies for the wider population. Examples include the Inserción Laboral para Personas con Discapacidad Programme in **Argentina** and the *Capacitación Laboral para Personas con Discapacidad* Project (PROCLADIS) in **Uruguay**, both of which provide training. **Argentina**, **Colombia**, **Ecuador**, **Mexico** and **Uruguay** have implemented job placement services exclusively for disabled workers.

There are two major types of initiatives for migrant workers, where youth are a group of particular interest. The first supports the worker who emigrated so he can return to his country. **Ecuador** and **Peru** implement this type of policy, where services and resources are available to those in an emergency situation and those wanting to promote their employment development. The second type of initiative promotes the inclusion of the migrant worker by facilitating citizenship in the country where he works. **Argentina** has implemented a wide-scale programme to legalize migrants to enable them to enjoy the same rights as citizens and therefore, to actively participate in the labour market (Box 5).

BOX 5 Policies on Migrants in Ecuador, Peru and Argentina.

Ecuador. The 2008 Constitution established the foundations for the country's migration policies, which focus on the recognition of universal citizenship. Support programmes include the Bienvenidos a Casa Plan, which offers incentives for migrants' voluntary return to their home countries and support for the labour market incorporation for workers with some economic capacity. Migrants who are forced to work are given emergency support. In 2008, the country eliminated short-term and tourist visas and signed bilateral agreements with Peru and Venezuela for the free movement of individuals.

Peru. Approximately one-third of immigrants are aged 15 to 29. In 2009, a migration commission of public and private agencies was formed. This commission is responsible for discussing, revising and coordinating migration policies. In the commission's work groups, members defined employment relationships and social benefits for these workers. Current programmes focus on Peruvians who have emigrated, providing protection and assistance abroad as well as support for their voluntary return. Migrants who return have access to incentives for professional and business development as well as tax exemptions.

Argentina. Regulations for the country's 2003 Migration Law 25875 were adopted in 2008. These regulations establish the principles of non-discrimination toward foreigners that define subsequent actions and which are strongly oriented to immigrants. Initiatives include the 2004 Patria Grande Programme, which provides migrants with legal status. The only requirement is to present documentation. This legal status has enabled approximately one million people to enjoy the same rights as citizens.

Source: IOM 2012a and IOM 2012b.

Extension of social protection coverage to informal workers, even without employment formalization

The expansion of social protection in Latin America has enabled workers to access benefits normally reserved for formal employment. For instance, in a process to universalize social protection, **Chile** developed a set of benefit programmes for vulnerable individuals throughout the life cycle. These include *Chile Solidario, Chile Crece Contigo* and *Ingreso Ético Familiar*. Additionally, it introduced solidarity pillars in public health care, pension, family benefit and maternity protection plans, integrating social security with aid programmes. **Uruguay's** *Plan Equidad* promoted a set of reforms that included health care and family benefits and introduced non-contributory components.

Social protection coverage provided by conditional cash transfer programmes to alleviate poverty, provide health benefits and promote school enrolment and prenatal care, as well as that provided by temporary employment programmes, was extended to people of working age without access to benefits because they were not formally employed or did not have a sufficient employment history to meet access requirements.

To fulfill this objective, countries implemented a variety of activities, ranging from the modification of contributory systems –introducing a solidarity component to include vulnerable individuals in parallel systems, affiliation through social programmes or occupational registry systems as well as benefit systems created exclusively for populations excluded from the contributory scheme (Table 10). As a group with particularly high rates of informal employment and unemployment, youth have participated in these initiatives to strengthen social protection floors (ILO 2011; ILO 2014q).

TABLE 10 Actions to provide social benefits to informal workers.

Extension of coverage to informal workers
For
↘ vulnerable workers and their families
Health insurance, family benefits, maternity protection
↘ introduction of solidarity pillar in the contributory scheme
↘ special insurance for non-contributors
↘ affiliation through occupational schemes
↘ affiliation through participation in social programmes
Unemployment insurance
↘ temporary employment programmes

Source: ILO.

Health insurance

In some countries, health services were extended through the integration of contributory and non-contributory schemes. **Chile** implemented a health reform in 2005, *Plan AUGE* (Universal Access with Explicit Guarantees), to reduce gaps in health care access and quality. This is a health insurance programme for beneficiaries of the national health fund (FONASA), which includes public and private employees (Segments B, C and D, depending on labour income) that contribute to this fund, as well as individuals living in poverty who are given access via a government subsidy (Segment A).

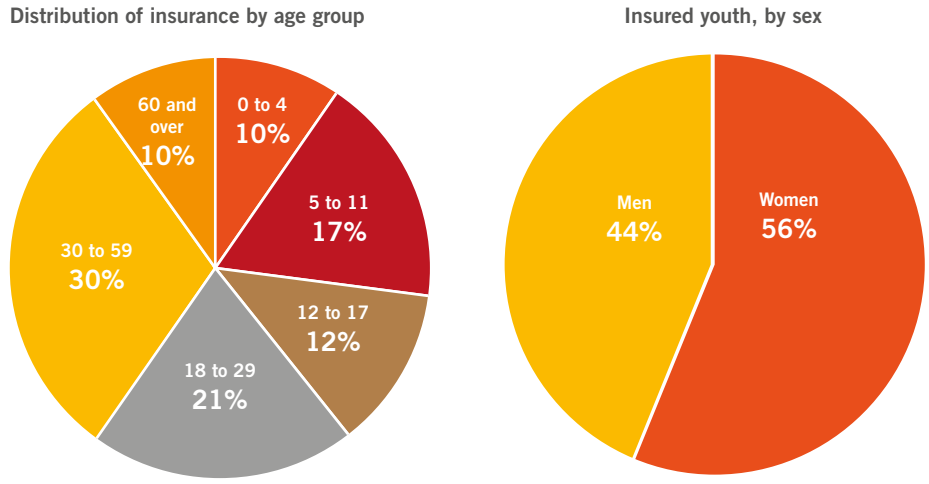
Colombia reformed its health system to provide universal coverage by combining its contributory and subsidized systems. The *Régimen Subsidiado de Seguridad Social en Salud* provides coverage to individuals living in poverty who are not enrolled in other programmes. They receive a partial or total subsidy to cover the insurance premium.

Other countries increased access through parallel programmes. Under the *Seguro Popular* scheme, **Mexico** benefits individuals who do not contribute to social security. Following a pilot phase in 2001-2003, the 2003 General Health Law expanded the programme to the rest of the country in 2005. Individuals and households belonging to the first four income deciles have access to *Seguro Popular* insurance free-of-charge. The plan establishes progressive contributions based on the economic conditions of the remainder of affiliates. Gradually, the programme has increased the type of insurance benefits included. In 2012, approximately 50 million people were insured under this scheme (Knaul et al 2013).

In **Peru**, the 2009 Framework Law of Universal Health Insurance, (Nº 29344), established the universal right to health services. The public *Seguro Integral de Salud* provides coverage to individuals without health insurance and has a subsidized programme for people living in poverty. Currently, there are four insurance components. Free insurance is fully subsidized and is available to eligible poor households registered with the Ministry of Development and Social Inclusion's household targeting system. The other programmes are: Emprendedor –own-account workers with no employees who are registered in the *Nuevo Régimen Único Simplificado* are automatically insured–, *Microempresas* –registered in the *Registro Nacional de la Pequeña and Mediana Empresa– and Independiente*. Youth were the group with the second-highest insurance coverage rates after adults. In November 2014, 15.9 million people

had coverage, 20.5% of whom were aged 18 to 29. Within the group the insured youth, coverage rates among women were 12 percentage points higher than those among men (Figure 16).

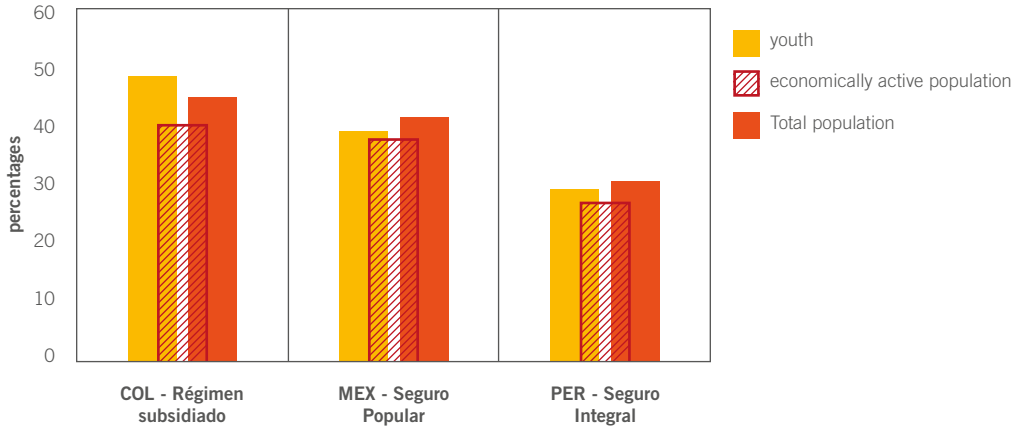
FIGURE 16 Peru. Share of youth in the population covered by the *Seguro Integral de Salud* insurance programme, November 2014.



Source: SIS 2014, Seguro Integral de Salud.

Youth as a group have been favoured by the expansion of these health benefit programmes at levels similar to the average for the total population. Figure 17 demonstrates the rate of coverage of the *Régimen Subsidiado* in **Colombia**, the *Seguro Popular* in **Mexico** and the *Seguro Integral* in **Peru** for youth, the economically active population and the total population. Thanks to these initiatives to extend health care services to the uninsured population, nearly 49% of youth have coverage in **Colombia**, 39% in **Mexico** and 29% in **Peru**. In effect, the youth covered by these insurance schemes have higher coverage rates than the economically active population in all countries, and surpass the level of coverage of the total population in Colombia.

FIGURE 17 Colombia, Mexico y Peru. Health care coverage among youth (15-24), the economically active population and the total population, 2012.



Source: ILO based on SEDLAC (CEDLAS).

Other countries have also implemented initiatives to extend health care coverage to vulnerable groups by including them in specific registration schemes. In **Argentina**, the simplified scheme for own-account workers has a special category for own-account workers in subsistence economies, the

Monotributo Social[22]. Individuals participating in that health insurance scheme have a 50% subsidy (the remaining 50% is provided by the Ministry of Social Development) and 100% of social security, in addition to a 100% subsidy in the tax component. In **Uruguay**, the pre-existing *Monotributo* system added a new category in 2011, the *Monotributo Social MIDES*. Workers from vulnerable households without employees are eligible for these benefits, as are individual or associative enterprises (social cooperatives). This scheme provides social security access and offers a 75% subsidy on social security contributions during the first year. In exchange, beneficiaries must meet certain conditions, such as undergo regular health checkups, attend training sessions and ensure the school attendance of minors under their care.

Other initiatives extend health care services to youth through social programmes. For example, **Argentina's** *Plan Sumar*[23] provides health care services to vulnerable mothers and children, including beneficiaries of the *Asignación Universal por Hijo* Programme. The plan provides coverage to individuals under age 20 and to women up to age 64. The plan is integrated with the *Asignación Universal por Hijo* Programme, guaranteeing access to health services and establishing conditions for receiving the cash transfer. In effect, 20% of the cash benefit of the Asignación Programme is conditioned on certification of health checkups and school attendance.

Finally, as part of the *Plan Equidad* in **Uruguay**, the 2008 health reform extended coverage to formally employed workers and families who were previously excluded. The insurance scheme incorporated government workers without coverage as well as the families of formal workers with dependent minors and spouses. The reform significantly increased health insurance coverage, reaching two-thirds of the total population in 2013, and increasing coverage of the population aged 15 to 19 six fold during 2008-2013 (Lagomarsino, 2014).

Unemployment insurance

Informality and irregular employment excludes youth from unemployment insurance programmes associated with formal employment. Thus, even when youth have had formal work experience, they may not have worked long enough to accumulate the contributions required to make them eligible for unemployment benefits. Temporary employment programmes fill this gap by providing continued income to the unemployed through youth-specific initiatives. **El Salvador** and **Paraguay** implement this type of programme. In both countries, this effort began as a small-scale pilot project that was expanded during implementation.

Paraguay's *Juventud capacidades y oportunidades económicas para la inclusión social* Programme, in effect since 2009, has a temporary employment component, Ñamba´apo Paraguay Joven, for vulnerable youth aged 18 to 29, who receive monetary transfers if they participate in community projects for a four-month period.

Family benefits

Argentina and **Uruguay** significantly expanded their non-contributory family benefit programmes with the *Asignación Universal por Hijo* and the *Asignaciones familiares no contributivas* programmes, respectively. **Chile** provides benefits to low-income families that do not contribute to social security through *Subsidio Familiar*, also known as *Bono Marzo*, which is given to beneficiaries of *Chile Solidario* and *Seguridades y Oportunidades*.

22 This is for activities that generate income under a certain amount and does not have a tax component. Once this threshold is surpassed, workers pay the regular single tax.

23 The programme was developed as a health insurance scheme for vulnerable mothers and children participating in the Plan Nacer in 2005.

In **Argentina**, parents (mothers have priority) with minors under their responsibility that fulfill certain employment conditions are eligible to receive benefits under the *Asignación Universal por Hijo* Programme, implemented in 2009. The unemployed, informal workers and domestic workers with wages below the minimum wage, as well as contributors to the social single tax scheme, are also eligible. Seasonal workers may also qualify for benefits –once they have completed their employment contract. Other eligible workers include beneficiaries of *Argentina Trabaja* and *Trabajo Autogestionado*, employment initiatives organized in social cooperatives, which carry out community and social activities. Beneficiaries of other employment programmes, such as Jóvenes con Más y Mejor Trabajo, are not eligible. In **Argentina**, this programme extension has focused on youth. In 2013, 4.3% of youth received *Asignación Universal por Hijo* benefits whereas the figure for the general population was 3%[24].

The *Subsidio Único Familiar* in **Chile** offers family benefits –providing a benefit in the same amount– to informal or unemployed workers with minors under their responsibility and who belong to the poorest 40% of the population. Beneficiaries of *Chile Solidario*, which targets extremely poor households, also receive the subsidy (Bertranou coord. 2010). In that country, 8.8% of youth were covered by the subsidy in 2011, the same level of coverage as that of the total population.

Finally, in **Uruguay**, in 2008, the *Asignaciones familiares no contributivas* Programme implemented in the framework of *Plan Equidad* substituted the previous non-contributory scheme with one that provided benefits to families affected by informality (Bertranou coord. 2012; Vigorito and Amarante 2012).

Maternity protection

The programmes offering family benefits for vulnerable groups also provide protection for pregnant women and vulnerable mothers, guaranteeing them access to health services and a cash benefit. It is assumed that this type of programme would have a greater impact on young mothers who are not formally employed as compared with the general population of mothers, given their life stage.

Maternity protection programmes in Argentina and Chile also adopted subsidies for pregnant women who are not formally employed. The *Asignación Universal por Hijo* Programme in **Argentina** covers pregnant women beginning in the third month of pregnancy, offering cash transfers and access to health insurance. Given that registered domestic workers whose income falls below the minimum wage qualify for the programme, they can also receive cash transfers during pregnancy.

As a child protection system, **Chile's** *Crece Contigo* offers special benefits to women belonging to the poorest 40% of the population. They also receive family subsidies beginning in the fifth month of pregnancy, as well as preferential access to services. In **Uruguay**, contributors or spouses participating in *Monotributistas MIDES* enterprises also qualify for maternity leave.

Childcare services are another benefit important for mothers. For working-age mothers, informal work enables them to conciliate employment and family demands, especially for low-income women who cannot afford childcare services. Childcare services are a crucial resource for youth in the formative years because it enables them to participate in employment programmes and to look for work.

The countries of the Region have also recently made childcare services available to vulnerable working mothers. Experiences are characterized –with a few exceptions– by their limited scale, operation

24 In Argentina, coverage is estimated given that there is no specific question on the family benefit in the survey. This report gives the minimum estimate. Due to collection difficulties, the survey potentially excluded partners of youth who received the benefits.

outside of the formal education system and the possibility of access to additional care services (training in nutrition, basic health care and child growth).

Mothers work as caregivers at daycare centres organized in the household or the community in the *Hogares Comunitarios de Bienestar* Programme in **Colombia**, *Educa a tu hijo* in **Cuba**, *Cuna más* in **Peru**, *Hogares Comunitarios* in **Guatemala** and *Hogares de Atención Integral para Niños and Niñas* in **Venezuela**.

Unlike those programmes, *Crece Contigo* in **Chile** incorporates the formal education system in the network of childcare services and keeps spaces open for children in household daycare centres and mothers' kindergartens for economically vulnerable mothers. *Cuna más* in **Peru** is based on the previous *Wawa Wasi* Programme, where daycare services for children under age four were offered in households or community centres for working mothers. Alternatively, **Mexico** subsidizes childcare services for economically vulnerable families. The programme *Estancias Infantiles para Apoyar Madres Trabajadoras* covers childcare costs for children of employed parents or of those seeking work.

3.2| Innovative aspects and lessons learned

A review of the region's formalization initiatives demonstrated that countries have developed several interventions with innovative aspects to address the problem of informal employment among youth. These interventions are innovative in that they combine traditional elements with new characteristics that incorporate the lessons learned during implementation.

The initiatives described above are innovative in terms of their design and implementation. Design innovations in programmes and legislation include the combination of components for the formalization strategy and their adaptation to diverse economic and informal employment scenarios. In terms of implementation, innovations include partnerships with local actors who bring together informal units and workers, giving them responsibilities for guaranteeing compliance with labour rights. These are described below:

i. Generating stable employment opportunities for youth

Unlike previously, youth hiring practices today have safeguards against precarious employment. In the past, several countries of the region had legislation that enabled flexible labour conditions, which meant fewer benefits and less job stability for youth. By contrast, current schemes provide employer incentives for hiring that do not threaten decent work conditions for youth.

For employers, the main incentive is a wage, social security or tax subsidy that discourages them from hiring workers with limited benefits. Conditions established for accessing subsidies include the duration and type of labour relationship with youth (Argentina's *Jóvenes con Más y Mejor Trabajo*, Chile's *Subsidios al Empleo Joven y a la Contratación*, Mexico's Law on the Promotion of the First Job and Uruguay's Youth Employment Law) or with workers in general (Argentina's Employment Promotion Law).

Another innovative aspect of these policies is the eligibility of employers based on the hiring of regular staff to avoid replacing workers. To qualify for the cash benefit, employers must demonstrate that they have not had layoffs (Argentina's *Jóvenes con Más y Mejor Trabajo*) or that the job in question was recently created and will continue to exist for at least three years (Chile's *Subsidio a la Contratación y Cotización*). It is important to monitor hiring and layoffs in enterprises before allowing them access to subsidies in order to avoid the potential replacement of workers.

When subsidies for labour demand target a group of workers, they may also have an effect on workers not covered by the subsidy. Thus, the initial success of including a group such as youth can eventually mean significant losses in efficiency as well as substitution effects among different groups of workers. When youth hiring practices are bias to the point that youth replace adult workers, progress in terms

of employment and formalization will be disappointing. The results of the impact evaluation of the *Subsidio al Empleo Joven* determined that a substitution effect did indeed occur (Box 6).

BOX 6 Substitution Effects with the *Subsidio al Empleo Joven.*

Although the youth employment subsidy (Subsidio al Empleo Joven) was not widely used, an impact evaluation of this programme identified a statistically significant substitution effect. Hiring youth increased total hirings by 1%, displacing older workers. The effect was inversely proportional to enterprise size, being greater in microenterprises and close to zero in larger enterprises.

Source: Universidad de Chile, 2012.

Initiatives involving internship or learning exchange contracts have a shorter duration than regular work contracts. These policies require accreditation of continued formal education studies and/or on-the-job training. This helps discourage hiring youth for jobs that provide limited training, putting them at a disadvantage upon completion of the programme.

The requirement for training during the internship contract period aims to guarantee that effective training is provided and that youth develop additional skills. For example, Brazil's Internship Law establishes a two-year time limit for the contract whereas Uruguay's Yo Estudio y Trabajo Programme has a duration of one year. In other cases, participants must certify that they are continuing with their studies during the contract period.

ii. Financial support to informal units undergoing formalization

Recently, formalization strategies have been addressing informality from a perspective of productivity, unlike the previous approach, which focused exclusively on legality. Administrative simplification and tax break policies have added components to help small production units maintain their profitability, which is affected by the financial burden of formalization.

When an informal enterprise chooses to become formal, it may access coaching programmes to improve enterprise productivity, income and sustainability. **Mexico** and **Colombia** have programmes that take this approach. The initiative *Crezcamos Juntos* provides advisory and support services during the transition to formality and the *Ruedas y Brigadas de Formalización* Programme offers a service packet to enterprises that want to formalize their operations and workers.

Although no impact evaluations exist of programmes that combine formalization with productive support, assessments of initiatives that focus exclusively on supporting microenterprises can provide some lessons.

In the Region, programmes to support the development of low-productivity or subsistence enterprises have been widely applied in rural areas for many years. These concentrate on farm families and seek to diversify and automate production and insert farmers into value chains to stabilize and increase their income. The *Nossa Primeira* Programme for rural youth in Brazil and *Jóvenes Rurales Emprendedores* in Colombia use this approach. Training programmes for self-employed youth and entrepreneurs also share this objective. Examples include the training modules in the programmes *Jóvenes con Más y Mejor Trabajo* in Argentina and *Jóvenes a la Obra* in Peru.

Cho and Honorati (2013) analyzed the results of these types of interventions in developing countries and identified some features that designs should include. To achieve the desired results, the programme components require flexibility and "personalization" to match the profile of the population and the barriers they face. These do not necessarily constitute a viable alternative for the most vulnerable groups (Box 7).

BOX 7 Impact of Programmes to Support Microenterprises/Entrepreneurship.

Entrepreneurship programmes have a positive impact on youth in terms of business knowledge and practice, but these do not immediately translate into business setup and expansion or increased income. Training effects are particularly significant for youth who already have a business. In addition, financing support programmes appear to be more effective when they target women.

The outcomes are strengthened and magnified when training and financing are provided together. Nevertheless, when beneficiaries of social programmes participated in these programmes, the results were only slightly positive, which underscores the difficulties inherent in promoting self-employment in this group. With respect to type of implementation, private-sector involvement in the development of these programmes increased their effectiveness.

Source: Cho y Honorati, 2013.

iii. Social protection policies to complement formalization policies

In their efforts to expand programmes and strengthen social protection floors, employment initiatives compete for space with other policies. The proliferation of conditional cash transfer programmes in the region raises questions about their effects on labour participation and in some cases on formalization. Evaluations that measured employment quality indicators had mixed results, with no impact (Borraz and González, 2009) or a bias toward informal employment (Gasparini, Haimovic and Oliveri, 2007; Ribas and Soares, 2011). As these social protection programmes focus on addressing inequality and social vulnerability, the effects on the labour market were not considered a priority.

Given that many youth employment programmes focus on vulnerable youth, there is often an overlap with poverty reduction or income generation programmes. Where simultaneous participation in the two types of programmes is prohibited, the overlapping of target populations may lead beneficiaries to shift from one programme to another.

While this movement among programmes and population groups continues, governments in the region are now attempting to make these programmes more complementary. In **Colombia**, the Law of Formalization and Job Creation links contracts under this law with participation in the *Familias en Acción* Programme and in the *Seguro Subsidiado de Salud*. The worker who obtains a formal contract under this scheme and is a beneficiary of these programmes will continue to receive benefits for a year in the case of *Familias en Acción* and two years in the case of the *Seguro Subsidiado de Salud*. In **Argentina**, benefits of the *Asignación Universal por Hijo* Programme are available to workers registered in the single social tax registry as well as to registered domestic service workers. These workers, who earn less than the minimum wage, can receive benefits from that programme. In the case of workers with seasonal contracts, the law also stipulates that after these workers have completed their contracts – for which they received family benefits – they will continue to receive the child benefit during periods of unemployment, thereby assuring continued coverage.

iv. Local strategic partners

Reforms of inspection and oversight systems to formalize enterprises and workers have focused on their decentralization in an effort to form local partnerships. National and state governments have benefited from local networks' extensive knowledge of the geographic area, proximity to the production units and workers and long-term interactions with other local actors, enabling them to access a wide-reaching, highly fragmented network.

Institutional agreements include activities ranging from those to raise awareness, provide information and registration to the assignment of legal responsibilities. In **Ecuador**, the *Seguro Social Campesino* Programme expanded coverage through coordination with peasant organizations. In addition to becoming individual members, workers can join authorized rural organizations, which in turn offer

collective enrolment and which act as intermediaries between members and the Ecuadorian Social Security Institute. For its part, *Colombia Formaliza* celebrated agreements with Confecámaras, which established formalization brigades to identify and contact local informal production units to expand coverage in municipalities.

v. Inclusion through legislation for specific groups

Some countries in the region have developed specific labour schemes for workers in certain sectors or for those who face obstacles for joining the labour force. These have innovative formalization programmes with guarantees of minimum social benefits for vulnerable workers not covered by general labour law, such as domestic service, rural and own-account workers.

In compliance with ILO Convention 189, several countries have adapted legislation for domestic service workers or enacted specific laws for these workers. Initiatives for rural workers include their inclusion in social security programmes through less traditional compliance mechanisms. These were implemented through agreements between workers and employers in **Argentina**, **Costa Rica** and **Ecuador**. The expansion of special simplified schemes for own-account workers is noteworthy because these define which groups to include, incorporate own-account workers with an earnings limit, establish subsidiary systems for those with lower earnings, and guarantee access to health and pension benefits.

4| Conclusions

In Latin America and the Caribbean, informality and youth are closely linked. Informal employment is widespread in the region. Both the informal and formal sectors contribute to the high rates of informal employment among youth. Informally employed youth have lower wages, less job security and fewer labour rights. Informally employed youth with a better socioeconomic and educational background have the best chances of transitioning to formal employment. Informally employed youth without these advantages are especially vulnerable to remaining informal.

The characteristics of informality and of youth offer an opportunity to implement a wide range of policies. Current initiatives focus on overcoming the barriers that come between youth and decent work, adopting different approaches to increasing formal employment and discouraging informal employment.

The *first group* of initiatives intervenes in labour supply and demand to promote the creation of formal jobs for youth. This group of initiatives has a larger number of regulations and programmes specifically designed for youth. Demand-based initiatives include a variety of instruments, such as hiring subsidies established in both programmes and legislation. Within these, there are specific schemes offering temporary contracts with training components. Actions addressing labour supply prioritize vocational and on-the-job training over the completion of mandatory education.

The *second group* includes policies targeting workers and production units operating informally. These offer incentives for formalization and impose penalties for remaining informal. In this group, actions focus on incentives for registration (administrative simplification, support, tax benefits and reduction of penalties), coaching of the business in transition and expansion of labour inspection to guarantee compliance with the law. Also common are special hiring practices for workers who do not have the same rights despite being formally employed, and also for those excluded from the system. While these initiatives do not specifically target youth, they benefit this group given the large percentage of informally employed youth.

A *third group* includes social protection policies for informal workers, whose status excludes them from social security coverage. Several countries of the region have implemented actions to strengthen

social protection floors. Given that youth are a vulnerable population and in light of their stage in the lifecycle, youth benefit from expansion of health care, family and maternity protection programmes.

The policy review identified five innovative aspects of policy design and implementation. These are: (i) *promote the hiring of youth and internship experience without making employment contracts flexible*; (ii) *formalize small economic units, not only from a legal perspective, but also in terms of the business operation through coaching to improve productivity*; (iii) *guarantee social protection floor benefits to beneficiaries of employment programmes to complement interventions and discourage the focus on a single target population*; (iv) *decentralize regulatory tasks through partnerships with local actors, who have proximity to workers and small production units, facilitating the identification, registration and monitoring of formalization responsibilities*; and (v) *adapt current legislation on formalization to the diversity of production units and the labour force through the creation of special schemes*.

Although countries of the region may follow general trends, the effectiveness of youth programmes is sensitive to context-specific considerations. Each country has a combination of policies and approaches tailored to its labour and productive profile, as well as different mechanisms for applying some of these innovations. Nevertheless, the countries face similar challenges in the future.

Hiring subsidies have taken centre stage in practically all countries of the region. These are included in recent youth employment laws. While they do help ensure decent work conditions, they have not had a uniform impact on youth. Global evidence confirms that subsidies are more effective when they target specific subgroups (OECD and ILO, 2011; WB, 2012). For example, subsidies established for hiring youth, such as the *Subsidio al Empleo Joven* in Chile, have positively affected the quality of employment among young men aged 20 to 24. Nevertheless, these subsidies have not had an impact on women workers and the youngest age group (Universidad de Chile 2012). Even though subsidies have a positive impact on employment, if the goal of the policy is for vulnerable youth to find formal employment, youth hiring subsidies alone have not led to the desired results. This policy tends to benefit those already in a better position to compete in the labour market.

Programmes to support small businesses or youth enterprises have been widely implemented in the region. Also evident are policies to promote the organization of workers in associations of the social economy, as well as to develop special labour schemes. The common denominator is the focus on the most vulnerable group as a response to the restrictions imposed by the lack of development in certain geographical areas and by the characteristics of workers themselves that create barriers for accessing wage employment. Nevertheless, the linkages with formalization are pending for the majority. Further research is needed to address the limited global impact of programmes to support microenterprises (Cho and Honorati, 2013) and the lack of knowledge of the long-term effects of local initiatives to facilitate the transition of vulnerable youth to formal employment. Experts must determine if these programmes can guarantee formalization beyond their probable impact on the generation of subsistence income. If the answer is no, then the question is, what type of interventions —different from the ones currently implemented— are needed to do so? The monitoring of recent experiences that complement formalization policies with this type of programme represents an opportunity to learn about their impact on employment formalization in general, and on youth employment in particular.

Incorporating social protection as a mechanism to support the transition to formal employment runs the risk of institutional fragmentation. The complementarity between social protection and formalization has not yet been exploited and this is reflected in the fragmentation of target populations. Youths' access to one programme or another may be determined more by opportunity or stereotypes –young mothers in conditional cash transfer programmes and young men in employment programmes– than by the rigorous assessment of the pertinence of the intervention for their profile. Making designs compatible, together with the establishment of "single windows", in which access to programmes would allow youths' profiles to be evaluated, guide access to programmes and enable youth to receive

an integrated set of benefits. Several countries of the region have implemented employment windows. These experiences have provided lessons on how to take advantage of the synergies created by combining different interventions. The advantages are even more promising as countries advance in integrating this initiative with other sector policies.

Local strategies can play a key role in the transition to formality. This potential has not been sufficiently exploited, however. Inspection policies have made more progress in strengthening local networks than have other formalization policies. Social dialogue has much to contribute to the building of these relationships with local representatives to contribute opinions, organization and governance. Tripartite involvement also involves developing a strategic resource to maximize the local reach of organizations of representation, and thus to increase the inclusion of workers in collective bargaining and union membership.

Finally, the ongoing challenge in policy analysis is to consider information as a critical resource. The experiences of countries cannot be enriched and their performance cannot improve as long as knowledge gaps remain with regard to what works and for whom. The collection, systematization, processing and generation of information for decision-making are uncommon practices in the public policies analyzed. This is reflected in the limited inclusion of these steps in the planning and design of initiatives. Available evidence is restricted to a few programmes and countries. Furthermore, estimates of local effects and results are subject to context variables and therefore cannot be extrapolated.

5| Policy Recommendations

Promoting formal employment among youth requires aligning programmes, legislation and national plans with this aim. To this end, policymakers should first review initiatives and their effects –when they are known– to identify policy options. With this information, public policy recommendations can be made based on solid evidence and cost-effectiveness. Additionally, this review provides insight on what type of research is needed to contribute to policy analysis and debate.

There are two main approaches to reducing informal employment among youth in the region. While policy responses for young informal workers are the same as those established for other workers, they have led to initiatives to promote formal job creation specifically for youth. The implementation of these approaches and their respective interventions depends on the specific country context.

Recommendations for designing policies to address informal employment among youth are summarized below:

Determine relevance: have a clear idea of the profile of informal employment among youth and how it is addressed with the current intervention strategy

Findings from monitoring the labour market and the studies carried out indicate that policymakers should:

- ↘ Have a clear profile of the current situation, identifying the sources of informal employment among youth in terms of worker and job characteristics, and how these differ from those of formal workers.
- ↘ Collect and share information on access of youth to employment and social protection programmes as a first step for obtaining feedback on what they receive and what they should receive.
- ↘ Determine which strategies, laws or programmes are being applied and why the evidence indicates a need for change: Is it the targeting, coverage or the nature of the interventions themselves?

Assess available options

Policy options range from new interventions to innovative aspects of current initiatives. To weigh options, policymakers should determine the potential impact on the affected population and identify the advantages and disadvantages of each alternative.

Regional experience suggests that it is useful to incorporate management guidelines which, without compromising fiscal space, can lead to improved results in:

Formalization policies

↘ Establish alerts with inspection mechanisms to identify informally employed youth to link them to employment policies.

↘ Establish linkages with local networks to raise awareness, engage in research and contact youth and economic units (enterprises, social cooperatives, household economies). Countries should advance with labour inspection activities as these linkages become consolidated.

↘ Encourage the active participation of employees' organizations in oversight activities to detect precarious labour arrangements among youth.

Youth employment policies

↘ Centralize and disseminate points of access to formal employment among youth beyond the programmes. This can be achieved through service windows or employment services for targeted youth.

↘ Incorporate quality standards for on-the-job training as an opportunity to acquire practical knowledge, guaranteeing legal protection and ensuring that internships are not simply replacing paid jobs.

↘ Encourage employers to actively participate in setting quality standards and in developing and implementing training programmes.

↘ Adopt initiatives to support youth-led microenterprises to increase productivity levels beyond subsistence and promote their formal operation, defining medium-term coaching periods.

↘ Encourage the active participation of employers' organizations (of both the public and private sectors) in coaching entrepreneurs and linking them with value chains.

↘ Design and consolidate complementary actions between employment and social protection programmes, with a focus on benefits relevant to youth –regardless of the managing programme– and sign agreements between programmes to coordinate operations on the ground.

Plan the generation of information and research relevant for decision-making

Generating and systematizing information is a crucial policymaking strategy because it enables measurement, monitoring and evaluation to identify best practices, promotes advocacy for policy adoption and facilitates discussions on specific issues.

To ensure that the information is a strategic resource for policymakers, it is necessary to:

↘ Include information collection, monitoring and evaluation in the programme design and establish partnerships with public agencies that bring together administrative or statistical information to provide an institutional framework.

↘ Make use of research and emerging evidence from policy evaluations to resolve public policy problems; provide evidence on how public policies are functioning; and focus research on areas with the largest knowledge gaps.

The relevance of this information goes beyond programmes. Evidence is essential to support the design of legislation given that developing laws entails a lengthy discussion and review process. Additionally, once these laws are in effect, they cannot be changed or corrected immediately.

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ANNEX

Sources of data and estimates

TABLE A1 SEDLAC Surveys (CEDLAS).

Country	Survey name	Acronym	Year	Period	Coverage
Argentina	Encuesta Permanente de Hogares-Continua	EPH-C	2013	I Semestre	31 cities
	Encuesta Permanente de Hogares-Continua	EPH-C	2013	II Quarter	31 cities
	Encuesta Permanente de Hogares-Continua	EPH-C	2012	II Quarter	31 cities
Bolivia	Encuesta de Hogares - MECOVI	EH	2012	November	National
Brazil	Pesquisa Nacional por Amostra de Domicilios	PNAD	2012	September	National
	Pesquisa Mensal de Emprego	PME	2013	III Quarter	Urban - 6 cities
	Pesquisa Mensal de Emprego	PME	2012	III Quarter	Urban - 6 cities
Chile	Encuesta de Caracterización Socioeconómica Nacional	CASEN	2011	November	National
	Nueva Encuesta Nacional de Empleo	NENE	2012	IV Quarter	National
	Nueva Encuesta Nacional de Empleo	NENE	2011	IV Quarter	National
Colombia	Gran Encuesta Integrada de Hogares	GEIH	2012	III Quarter	National
Costa Rica	Encuesta Nacional de Hogares	ENAHO	2012	Annual	National
Dominican Republic	Encuesta Nacional de Fuerza de Trabajo	ENFT	2011	October	National
Ecuador	Encuesta de Empleo, Desempleo y Subempleo	ENEMDU	2012	December	National
El Salvador	Encuesta de Hogares de Propósitos Múltiples	EHPM	2012	Annual	National
Guatemala	Encuesta Nacional de Condiciones de Vida	ENCOVI	2011	March/ August	National
Honduras	Encuesta Permanente de Hogares de Propósitos Múltiples	EPHPM	2010	May	National
Mexico	Encuesta Nacional de Ingresos y Gastos de los Hogares	ENIGH	2012	August/ November	National
	Encuesta Nacional de Empleo	ENOE	2012	I Quarter	National
	Encuesta Nacional de Empleo	ENOE	2013	I Quarter	National
Nicaragua	Encuesta Nacional de Hogares sobre Medición de Nivel de Vida	EMNV	2005	July/October	National
Panama	Encuesta de Hogares	EH	2012	September	National
Paraguay	Encuesta Permanente de Hogares	EPH	2011	October/ December	National
Peru	Encuesta Nacional de Hogares	ENAHO	2012	Annual	National
Uruguay	Encuesta Continua de Hogares	ECH	2012	Annual	National
Venezuela	Encuesta de Hogares Por Muestreo	EHM	2006	II Semester	National

Source: SEDLAC (CEDLAS).

Multinomial logit model

Based on microdata from employment surveys in Mexico and Brazil, the columns correspond to the different forms of transition from informal employment: formal wage employment, other non-wage status, unemployment and inactivity. Marginal effects estimated in the sample means were reported for the estimated associations using a multinomial logit specification test.

TABLE A2 Mexico. Transitions from informal employment. Marginal effects evaluated in sample means. Dependent variable: Transitions from informal employment (Informal youth only [15-24] in t=1). Multinomial logit model. Base outcome: transition from.

	Transition from informal employment to (2)							
	Formal wage employment	Another non-wage status	Unemployment	Inactivity	Informal - Formal	Informal - Non-wage status	Informal - Unemployment	Informal - Inactive
Men	0.003	0.005	0.021	-0.136	-0.002	0.006	0.023	-0.125
	[10.00]***	[41.62]***	[17.98]***	[100.49]***	[16.71]***	[44.80]***	[21.07]***	[94.14]***
Age	0.010	0.000	0.003	-0.015	0.010	-0.001	0.003	-0.016
	[64.49]***	[20.68]***	[16.00]***	[48.78]***	[63.29]***	[26.75]***	[16.16]***	[55.08]***
Married or in a union(1)	-0.005	-0.003	-0.041	0.023	-0.005	-0.005	-0.043	0.026
	[8.05]***	[34.46]***	[51.30]***	[9.07]***	[8.64]***	[40.01]***	[50.54]***	[10.35]***
Household head(1)	-0.018	0.002	-0.039	-0.145	-0.015	0.003	-0.042	-0.147
	[26.85]***	[2.50]**	[31.55]***	[60.01]***	[24.09]***	[2.31]**	[32.83]***	[58.59]***
Urban(1)	0.041	-0.011	0.005	0.059	0.049	-0.018	-0.001	0.054
	[53.29]***	[84.92]***	[13.61]***	[50.81]***	[62.45]***	[113.09]***	[7.06]***	[47.83]***
Years of education	0.006	0.001	0.003	0.009	0.007	0.001	0.002	0.007
	[55.58]***	[54.00]***	[36.12]***	[48.73]***	[64.45]***	[48.82]***	[27.91]***	[38.49]***
Hours worked weekly	0.000	0.000	0.001	-0.005	0.000	0.000	0.001	-0.005
	[0.64]	[1.33]	[22.87]***	[148.24]***	[0.70]	[5.85]***	[19.63]***	[146.64]***
Time in job (in years)	-0.002	0.001	-0.005	-0.019	-0.002	0.001	-0.005	-0.018
	[24.77]***	[26.04]***	[48.50]***	[65.48]***	[25.71]***	[32.37]***	[45.15]***	[62.69]***
Works in large enterprise (more than 5 employees) (1)	0.095	-0.010	-0.014	0.016	0.094	-0.012	-0.009	0.014
	[129.00]***	[86.05]***	[11.65]***	[27.38]***	[126.60]***	[83.17]***	[3.38]***	[26.34]***
Manufacturing1)	0.066	-0.006	-0.009	0.024				
	[37.78]***	[54.33]***	[1.98]**	[15.45]***				
Construction(1)	0.007	-0.005	0.016	0.036				
	[7.23]***	[60.93]***	[13.99]***	[18.16]***				
Trade, restaurants, hotels, repair services(1)	0.045	-0.005	0.004	0.004	0.007	-0.001	0.009	0.018
	[32.83]***	[45.28]***	[6.53]***	[6.88]***	[14.44]***	[2.91]***	[15.07]***	[18.01]***
Electricity, gas, water, transport, communications (1)	0.063	-0.003	-0.055	-0.087				
	[20.56]***	[27.36]***	[29.42]***	[26.73]***				
Banking, finance, insurance, professional services(1)	0.081	-0.004	-0.031	-0.091				
	[30.12]***	[31.65]***	[22.29]***	[35.00]***				
Public administration and defence(1)	-0.021	0.000	0.073	-0.133				
	[12.86]***	[0.98]	[19.83]***	[34.29]***				
Education, health, personal services(1)	0.024	-0.003	0.069	-0.037	-0.013	0.002	0.081	-0.018
	[15.96]***	[13.46]***	[35.54]***	[8.73]***	[9.18]***	[8.85]***	[52.11]***	[2.27]**
Domestic service(1)	-0.025	-0.005	-0.026	0.009	-0.045	-0.003	-0.026	0.025
	[12.28]***	[38.86]***	[16.27]***	[0.50]	[26.80]***	[18.57]***	[17.14]***	[4.91]***
Observations	2,048				2,048			
Pseudo R2	0.170				0.157			

Source: ILO, based on LABLAC (CEDLAS and World Bank)
Notes: Definition of informal employment is based on social protection (employees).
Absolute value of z score (robust) in parentheses
(1) dy/dx is for discrete changes of the dummy variable from 0 to 1.
* Significance to 10%; ** significance to 5%; *** significance to 1%. Huber-White robust standard error.
Omitted categories: Region: Northwest.
Economic sector: Agriculture, primary activities.

TABLE A3 Brazil. Marginal effects evaluated in sample means: dependent variable: Transitions from informal employment (Only informal youth [15-24] in t=1). Multinomial logit model. Base outcome: transition from informal to formal.

	Transition from informal employment to [2]							
	Formal wage employment	Another non-wage status	Unemployment	Inactivity	Informal - Formal	Informal - Non-wage status	Informal - Unemployment	Informal - Inactive
Men[1]	-0.057	0.002	-0.009	0.041	-0.075	0.006	-0.012	0.052
	[10.80]***	[18.88]***	[18.72]***	[5.21]***	[14.62]***	[20.82]***	[24.25]***	[6.99]***
Age	0.012	0.001	-0.001	-0.017	0.009	0.002	-0.001	-0.017
	[5.13]***	[32.37]***	[17.09]***	[15.78]***	[2.55]**	[33.75]***	[17.60]***	[16.20]***
Household head[1]	-0.133	0.006	-0.004	-0.091	-0.162	0.019	-0.006	-0.088
	[19.53]***	[17.12]***	[8.06]***	[17.05]***	[23.17]***	[17.29]***	[11.24]***	[17.22]***
Salvador City[1]	0.020	-0.008	-0.061	-0.039	0.025	-0.029	-0.065	-0.033
	[2.85]***	[375.37]***	[579.66]***	[7.17]***	[3.11]***	[416.99]***	[621.48]***	[7.25]***
Belo Horizonte City[1]	0.056	0.002	0.002	-0.001	0.032	0.004	0.001	0.005
	[7.25]***	[8.29]***	[4.14]***	[3.41]***	[4.83]***	[7.20]***	[3.21]***	[3.04]***
Rio de Janeiro City[1]	-0.162	0.001	-0.006	-0.088	-0.148	0.003	-0.006	-0.091
	[27.57]***	[0.50]	[16.46]***	[24.06]***	[26.93]***	[1.08]	[15.92]***	[23.68]***
Sao Paulo City[1]	0.049	0.000	0.006	-0.057	0.042	0.000	0.005	-0.051
	[3.80]***	[0.27]	[7.99]***	[6.71]***	[3.43]***	[0.51]	[6.87]***	[6.12]***
Porto Alegre City[1]	0.148	0.003	-0.010	-0.029	0.112	0.012	-0.010	-0.023
	[14.98]***	[14.88]***	[7.92]***	[4.00]***	[11.99]***	[15.54]***	[9.69]***	[3.12]***
Years of education	0.033	0.000	-0.001	-0.018	0.034	-0.001	-0.001	-0.020
	[25.40]***	[12.22]***	[4.59]***	[7.99]***	[27.20]***	[17.43]***	[2.94]***	[10.20]***
Hours worked weekly	0.011	0.000	0.000	-0.008	0.011	0.000	0.000	-0.007
	[37.71]***	[2.36]**	[8.47]***	[23.54]***	[42.71]***	[1.53]	[7.89]***	[21.23]***
Time in job (in years)	-0.028	0.000	0.002	-0.030	-0.023	-0.001	0.002	-0.029
	[26.09]***	[23.11]***	[0.42]	[33.52]***	[20.17]***	[21.30]***	[0.46]	[30.66]***
Works in large enterprise (more than 5 employees)[1]	0.091	-0.004	0.003	0.022	0.085	-0.012	0.005	0.010
	[21.25]***	[27.26]***	[10.75]***	[14.30]***	[19.31]***	[29.34]***	[13.52]***	[9.98]***
Manufacturing[1]	-0.965	-0.008	0.018	0.315				
	[123.10]***	[161.48]***	[2.29]**	[1.96]**				
Construction[1]	-0.885	-0.006	0.002	0.405				
	[121.46]***	[150.49]***	[11.41]***	[3.53]***				
Trade, restaurants, hotels, repair services[1]	-0.989	-0.010	0.019	0.393	-0.026	0.004	-0.002	0.036
	[121.93]***	[145.58]***	[0.89]	[2.03]**	[2.28]**	[14.22]***	[3.74]***	[6.99]***
Electricity, gas, water, transport, communications[1]	-0.662	-0.004	0.037	0.400				
	[113.49]***	[147.58]***	[8.82]***	[6.53]***				
Banking, finance, insurance, professional services[1]	-0.962	-0.009	0.036	0.296				
	[120.21]***	[145.85]***	[4.90]***	[2.69]***				
Public administration and defence[1]	-0.646	-0.016	0.013	0.169				
	[122.30]***	[296.72]***	[1.22]	[3.24]***				
Education, health, personal services[1]	-0.985	-0.009	0.025	0.353	0.005	0.003	0.001	0.005
	[121.83]***	[149.77]***	[1.84]*	[0.20]	[2.13]**	[8.44]***	[2.42]**	[2.24]**
Domestic service[1]	-0.609	-0.004	0.033	0.424	0.026	0.003	0.012	0.112
	[116.07]***	[145.97]***	[9.09]***	[8.72]***	[8.65]***	[9.20]***	[11.92]***	[15.56]***
Observations	528				528			
Pseudo R2	0.124				0.110			

Source: ILO, based on LABLAC (CEDLAS and World Bank).
Notes: Definition of informal employment is based on social protection (employees).
Absolute value of z score (robust) in parentheses.
(1) dy/dx is for discrete changes of the dummy variable from 0 to 1.
* Significance to 10%; ** significance to 5%; *** significance to 1%. Huber-White robust standard error.
Omitted categories: Region: Northwest.
Economic sector: Agriculture, primary activities.

International Labour Organization

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